PACE

1998 Operating and Capital Program
1998-2000 Financial Plan for Operations and 1998-2002 Capital Plan

Proposed October 1997

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Pace Proposed Budget—October, 1997

CHAIRMAN'S MESSAGE

Dear Riders, Interested Citizens, and Public Officials:

I am pleased to inform you that the proposed budget for 1998 is balanced to the estimated level of funding to be made available from the RTA. The RTA will be providing what amounts to a 2.5% increase in funding. While RTA's suburban sales tax base is expected to grow by over 3%, there is an anticipated cutback in federal operating assistance to all transit agencies which will cost Pace nearly $1.0 million in funding for 1998.

In order to balance the budget to a growth rate less than inflation, we have taken advantage of every opportunity to cut $1.0 million in costs. Unfortunately, $.3 million of this cut will impact some of our fixed route services. These reductions are mostly minor service adjustments that were designed to inconvenience as few riders as possible. As these service changes have not been finalized at this writing, we will be preparing notices and holding public hearings in the area affected prior to implementing these reductions.

While the budget is balanced in terms of available funding from the RTA, we are not in agreement with the RTA recovery ratio mark set for 1998. The RTA set a record high recovery ratio mark for Pace for 1998 of 36.3%; the proposed budget is set at 35.8%. In order to close this gap, Pace would have to increase fares in all categories by $.10. A fare increase of this magnitude would cost us over 300,000 passenger trips, and I believe this is totally unnecessary. Not only is it not needed to balance the budget, because of our small size as compared to CTA, it would not have any impact on the regional recovery ratio. RTA's reasons for requiring the increase are not clear, and I intend to pursue this matter with them further. I can assure you we will do everything possible to avoid an unnecessary fare increase, but fare levels are inevitably linked to the recovery ratio. If the RTA prevails in its view that Pace needs to increase its recovery ratio, then we need to know to what ultimate level, because the higher the level, the more adverse the impact will be on our services in the collar counties and to Metra stations. Reductions in fixed route services are accompanied by reductions in ADA paratransit service to persons with disabilities. All of these services have low recovery ratios and are cross-subsidized by our high productivity services concentrated in Cook County. As the recovery ratio hurdle is moved up by the RTA, our ability to return services to lower density areas of the RTA taxing jurisdiction is jeopardized. In many of these areas, Pace service, both dial-a-ride and fixed route, is the only return received for taxes paid to the RTA. This is a policy matter worthy of your input.

There are some bright spots beyond the recovery rate troubles—we are moving forward with a number of service initiatives funded by special federal grants (CMAQ) and have implemented new routes which get City residents to suburban jobs quickly. We are at the forefront of the Welfare Reform challenge to transit and will be announcing more new service initiatives later this month. These initiatives and others will contribute to our achieving an all time high revenue record for 1998 as well as continued ridership growth.

On the capital side of the budget, 1998 can be considered the calm before the storm. Beginning in 1999, Pace will need to undertake a major fleet replacement program for which we project a $53.5 million shortfall in the next five year period. In an effort to address this, we will carry over $8.2 million in capital funds from the 1998 program to 1999. While this will help, it will not solve the problem. The key to addressing the need for capital funding for Pace as well as CTA and Metra is for an increase in the RTA's bonding authority. Without available RTA bonding authority, the region will lose its ability to match federal capital grants, something which we cannot allow to happen.

This budget document contains a wealth of information on Pace and its programs; please review it and inform us of your comments and concerns.

Sincerely,

Florence Boone

FLORENCE BOONE
Chairman

BOARD OF DIRECTORS

PACE 1998 OPERATING AND CAPITAL PROGRAM, 1998-2000 FINANCIAL PLAN FOR OPERATIONS, AND THE 1998–2002 CAPITAL PLAN.

Florence Boone
Chairman

Board of Directors

James G. Bilder	Southwest Suburban Cook County
James C. Harris	South Suburban Cook County
James R. Jimenez	Will County
Al Larson	Northwest Suburban Cook County
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Richard Welton	Lake County

Joseph DiJohn
Executive Director

Executive Summary

OPERATING PROGRAM AND BUDGET

The 1998 operating and capital program and budget contained in this document is summarized as follows:

The 1998 operating expense totals $113.0 million. This cost will be covered by $39.8 million in operating revenue, $69.1 million in RTA operating subsidies and $4.1 million in federal funds.

RTA's funding level of $69.1 million is $1.9 million less than proposed by Pace for 1998. The RTA funding amount for 1998 represents a 2.5% increase from 1997. The proposed operating budget contained in this document addresses the shortfall by reducing expenses by $1.0 million and increasing the use of federal capital funding by $.9 million to support the maintenance budget. Of the $1.0 million in expense cuts, $.3 million will come from minor reductions in fixed route services.

The increased use of federal capital funding for operations essentially offsets the decline in federal operating assistance to Pace for 1998. While the operating budget has been balanced in terms of funding, the resultant recovery ratio, 35.8%, falls short of the RTA mark of 36.3%.

In order to achieve the higher recovery ratio suggested by RTA, Pace would have to increase operating income by over $.8 million. This would require the equivalent of a $.10 fare increase in all fare categories. An increase of this magnitude would result in a loss of over 300,000 passengers. Pace believes the RTA should reconsider the recovery ratio mark and revise it to the 35.8% as achieved in this budget.

Should the RTA insist on Pace achieving the higher recovery rate, our options would be to raise fares, which we believe is unnecessary and counter-productive, or to apply a "carry-over" from prior year favorable performance. The RTA Act allows the Service Boards to use excess favorable farebox recovery performance from prior years to meet RTA's recovery requirement. While this approach would technically comply with RTA's requirement, it would serve no other purpose.

Pace's strategic plan calls for the agency to maintain a stable recovery ratio at the 35% level. The proposed budget for 1998 exceeds this strategic objective. Should the RTA have a different strategic intent for Pace's recovery performance, the impact of that strategy will need to be evaluated and understood by regional policy makers prior to it being implemented. The majority of Pace's routes that have lower recovery ratios are in the collar counties; many serve to support the Metra stations. A strategy to increase Pace's recovery ratio will have an adverse impact on the services provided in these markets.

TABLE 1. 1998 OPERATING BUDGET SUMMARY (000'S)

	1998 Budget
Total Operating Expense	$ 113,050
Less: System Generated Revenue	39,784
Funding Requirement	$ 73,266
Less: RTA Funding for Operations	$ 69,100
Capital Funding for Maintenance	1,885
Federal CMAQ Funding	2,281
Surplus/(Deficit)	$ 0
System Recovery Ratio	35.8%

CAPITAL PROGRAM AND BUDGET

The 1998 capital program totals $20.6 million for the existing Pace system. The Regional Transportation Authority (RTA), the Federal Transit Administration (FTA), and the Illinois Department of Transportation (IDOT) are expected to provide $20.2 million while Pace will commit $.4 million from its own funds.

The program contains $10.6 million for the replacement of 27 paratransit buses,133 vanpool vehicles, extended warranties for the paratransit vehicles, bus overhaul/maintenance expenses and associated capital.

Electrical/signal/communications in the amount of $80,000 will go to replace two UHF repeater systems for Pace's paratransit operations.

Support facilities and equipment totaling $7.0 million are included in the 1998 program. Highlights include the construction of a paratransit garage in DuPage County, improvements to garages, purchase of garage tools, computer and office equipment, and replacing and expanding the Automatic Passenger Counting System. Additionally, $1.5 million is programmed for contingencies and administration.

Stations and passenger facilities totaling $1.4 million are included in the 1998 program for the construction of a park-n-ride facility in Hillside and continuation funding for our ad and regular shelter programs.

TABLE 2. 1998 CAPITAL PROGRAM (000'S)

		Amount
Rolling Stock	$	10,570
Electrical/Signal/Communications		80
Support Facilities and Equipment/Other		7,021
Stations and Passenger Facilities		1,443
Contingencies/Project Administration		1,529
Grand Total	$	20,643

Introduction

The Pace operating and capital program for 1998 represents the fourteenth annual program for the Suburban Bus Division of the RTA. Created by amendment to the RTA Act in November of 1983, the Suburban Bus Division (Pace) is charged with administering and providing for all non-rail mass transit services in suburban Cook*, DuPage, Kane, Lake, McHenry and Will Counties.

Pace is governed by a twelve member Board of Directors made up of current and former suburban village presidents and city mayors. The preceding section titled "Board of Directors" identifies the members of the Pace Board and the areas that they represent. Florence Boone, former village president of Glencoe, has chaired the Board since the agency's inception in 1984.

Pace is required under the Regional Transportation Authority Act (as amended) to prepare, distribute for public hearing, and adopt an annual program and budget consistent with RTA mandates. The final program and budget must provide for a level of fares and services in balance with available funding and achieve compliance with RTA established revenue and recovery levels. A complete description of the budget process and requirements is contained in Appendix B of this document.

The information presented in the following document attempts to present a comprehensive discussion of issues affecting Pace for 1998 and outlying future years, and how these issues have been addressed in the upcoming operating and capital programs. This document begins with an overview of the current Pace system, highlighting characteristics of the system, an identification of Pace's infrastructure, and important information on the Pace system fare structure. The document then addresses Pace's strategic plan efforts and includes information on the long range plan, Pace's Mission-Vision and highlights of the agency's marketing plan efforts. A discussion of the 1998 operating budget follows, identifying all issues affecting the agency budget and how they have been addressed with available funds. Next, Pace's 1998 capital program is presented, followed by the multi-year capital plan. Discussions in these areas identify funding needs and match available sources with agency needs. Finally, Pace's outlying year operating financial plan is presented discussing three year plan needs and impacts on Pace's fund balance. Appendices have also been included at the end of the document to assist the reader with unfamiliar terms or language and to provide additional financial and operating performance detail.

*with the exception of CTA suburban services

System Overview

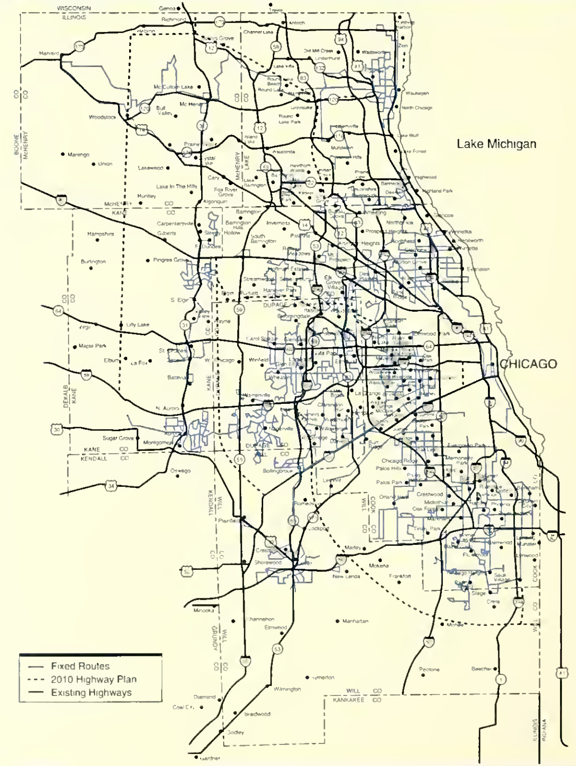
FIXED ROUTE SERVICE CHARACTERISTICS

The following map and description summarizes the operating characteristics of the Fixed Route system.

Fixed Route Service

154 regular, 71 feeder routes, 9 subscription services and 3 seasonal routes are operated by Pace. These routes service 210 communities and carry nearly 2.9 million riders per month utilizing 572 vehicles during peak periods.

Map 1. Fixed Route Service Characteristics



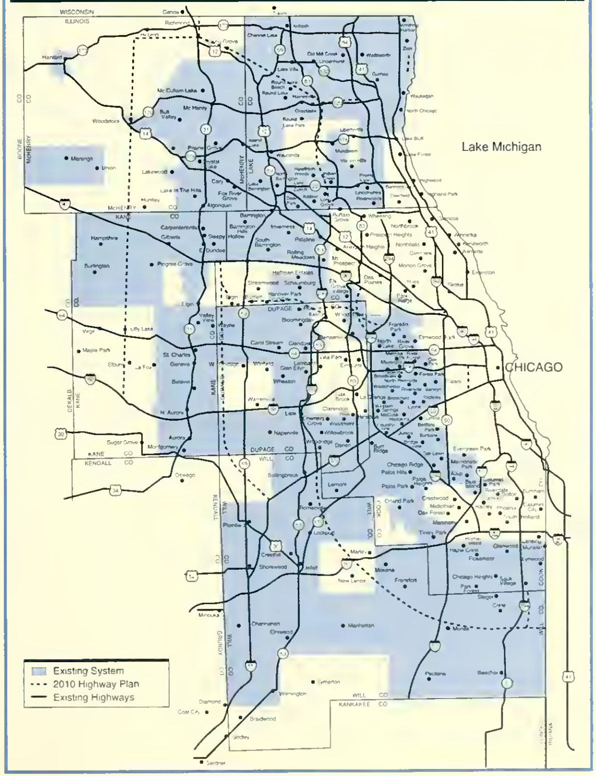
DIAL-A-RIDE SERVICE CHARACTERISTICS

The following map and description summarizes the operating characteristics of the Dial-a-Ride system.

Dial-a-Ride

234 Pace-owned lift-equipped vehicles are utilized to provide curb-to-curb service to approximately 107,000 riders each month. The majority are elderly and/or have disabilities. Pace contracts directly with private providers for the operation of 18 dial-a-ride projects and has grant agreements with villages and townships for the operation of 33 other dial-a-ride projects. Also, two other projects are operated by Pace River Division. These 53 projects provide services to over 210 communities throughout the six county area.

Map 2. Dial-a-Ride Service Characteristics



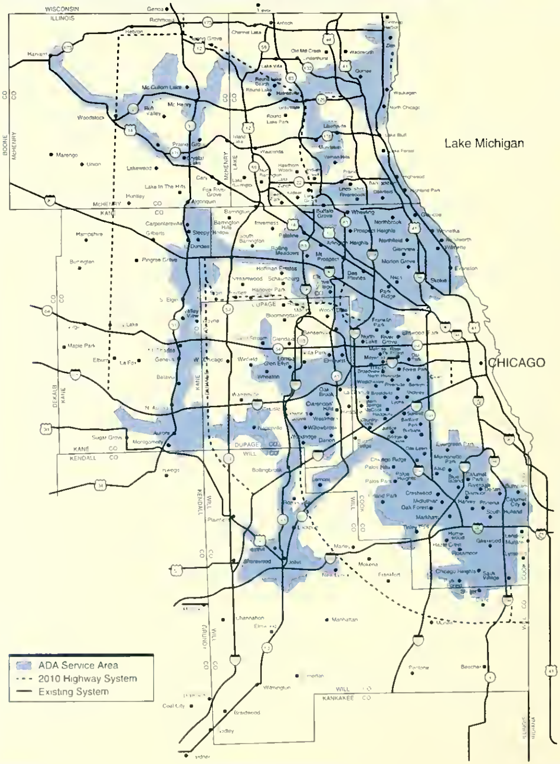
ADA PARATRANSIT CHARACTERISTICS

The following map and description summarizes the operating characteristics of the ADA Paratransit Service Program, as it exists in 1997.

ADA Paratransit

140 Pace-owned lift-equipped vehicles are utilized to provide curb-to-curb service to approximately 33,250 riders each month. Individuals that are not able to use Pace's fixed routes can register to utilize Pace's ADA paratransit service. The RTA is administering a regional certification program which determines eligibility for this service. Once eligible, passengers can make travel arrangements for trips within the shaded service area. This area represents a corridor of 3/4 mile to either side of Pace's regular fixed routes in the suburban areas as called for by federal regulations. Pace contracts with six operators strategically located throughout the service area to provide this service.

Map 3. ADA Paratransit Service Characteristics



FARE STRUCTURE

The following table describes the major Pace fares currently in effect for fixed route and paratransit services.

A fare increase for the VIP component of Pace's vanpool program is proposed for 1998. A 4% increase to all fare categories is included in the proposed budget. Additional information and a fare structure table detailing the new fares is included in the vanpool section of this document.

The proposed budget calls for stable fixed route and paratransit fares; however, should RTA insist that Pace achieve the higher 36.3% recovery ratio in 1998, Pace will have to consider raising fares by $.10 in each category. If changes are made necessary by the RTA and these changes require Pace to adjust the fare structure, Pace will notify the public and hold additional public hearings as necessary.

TABLE 3. FARE STRUCTURE

	Full Fare	Reduced Fare
REGULAR FARES		
Full Fare	$ 1.15	$ .55
Transfer to Pace	$ .10	.05
Transfer to CTA	$ .65	.35
PASSES	**ALL TIMES**	
Pace/CTA Monthly Pass	$ 88.00	$ 44.00
Commuter Club Card (CCC)(Pace Only)	$ 39.00	$ 19.50
Link-Up Ticket	$ 36.00	
Plus Bus	$ 30.00	
CTA Accommodation Pass		$ 35.00
Regular 10 Ride Plus Ticket	$ 11 50	$ 5.50
LOCAL FARES		
Full Fare	$ 1.00	$ .50
Transfer to Pace*	$ 25	.10
Transfer to CTA	$ .80	.40
Local 10 Ride Plus Ticket	$ 10.00	$ 5.00
**Locol transfers will remain free of charge*		
EXPRESS FARES	**ALL TIMES**	
Routes 210,355 & 855	$ 2.75	$ 1.35
Routes 600,606,610,616,626,636,737,747,757, & 890	$ 1.35	$ .65
Routes 767,877 & 888	$ 1.60	$ .80
Route 835, 960 & 961 (Zone Fares)	$ 3.90	$ 1.95
Premium 10 Ride Plus Ticket (210, 355 & 855)	$ 27.50	$ 13.50
OTHER		
Dial-a-Ride	$ 1.30	$ .65
ADA Paratransit Services	$ 2.00	
Special Services (Non-ADA)	$ 5.00	

PACE SYSTEM INFRASTRUCTURE

Since Pace's inception in 1984, the focus of the capital improvement program has primarily been on the replacement of buses and garage facilities. More than $198.6 million has been spent on land acquisition, design and engineering, and the renovation/replacement of eleven fixed facility garages, 19 passenger facilities and eight park-n-ride centers. Additionally, Pace has a current investment of $130.5 million in the active fleet of 638 fixed route buses, 374 paratransit buses and 321 vanpool vehicles. Lastly, Pace has an investment totaling $35.6 million in support equipment such as fareboxes, radio systems, computer equipment, and miscellaneous garage equipment.

Pace opened its Fox Valley (North Aurora) garage in 1994 (top). Pace completed construction of its Northwest Transportation Center (Schaumburg) (Charles Zettek Facility) in 1995 (bottom).

Pace's garages provide inside bus storage for 525 buses with building size totaling nearly 1.0 million square feet.

In 1996, Pace completed construction of park-n-ride lots in Blue Island and Bolingbrook.

In 1998, Pace will break ground for construction of transportation/transfer facilities in Chicago Heights, Harvey, Riverdale and Waukegan. Additionally, Pace will construct park-n-ride lots in Homewood and Elk Grove. Lastly, Pace will begin construction of the McHenry County paratransit garage.

PACE FACILITIES

A. Pace River Division
975 S. State, Elgin
63,000 square feet, 1989

B. Pace Fox Valley Division
400 Overland Dr., N. Aurora
56,800 square feet, 1994

C. Pace Heritage Division
9 Osgood St., Joliet
55,000 square feet, 1985

D. Pace North Division
1400 W. Tenth St., Waukegan
57,800 square feet, 1987

E. Pace West Division
3500 W. Lake St., Melrose Park
222,700 square feet, 1986

F. Pace Southwest Division
9889 Industrial Dr., Bridgeview
81,500 square feet, 1994

G. Pace South Division
2101 W. 163rd Place, Markham
191,000 square feet, 1988

H. Pace Northwest Division
900 E. Northwest Hwy.,
Des Plaines
82,700 square feet, 1962

J. City of Highland Park*
1150 Half Day Road,
Highland Park

K. Village of Melrose Park*
1000 N. 25th Ave., Melrose Park

L. Village of Niles*
7104 Touhy Ave., Niles

M. Pace North Shore Division
2330 Oakton St., Evanston
81,500 square feet, 1995

N. Pace Administrative Headquarters
550 W. Algonquin Rd.,
Arlington Heights
46,500 square feet

O. Pace South Holland Acceptance Facility
405 W. Taft Dr., South Holland
44,700 square feet, 1984

P. McHenry Paratransit Garage
McHenry Corporate Center
McHenry
(to be constructed 1998)

**Municipal Garages*

Transportation and Transfer Centers

Aurora Transportation Center
Aurora
Buffalo Grove Transportation Center
Buffalo Grove
Chicago Heights Transfer Center
Chicago Heights
Elgin Transportation Center
Elgin
Gurnee Mills Transfer Facility
Gurnee Mills
Harvey Transportation Center
Harvey
(Construction 1998)
Northwest Transportation Center/ Charles Zettek Facility
Schaumburg
Prairie Stone Transportation Center
Hoffman Estates
Waukegan Transportation Center
Waukegan
(Construction 1998)

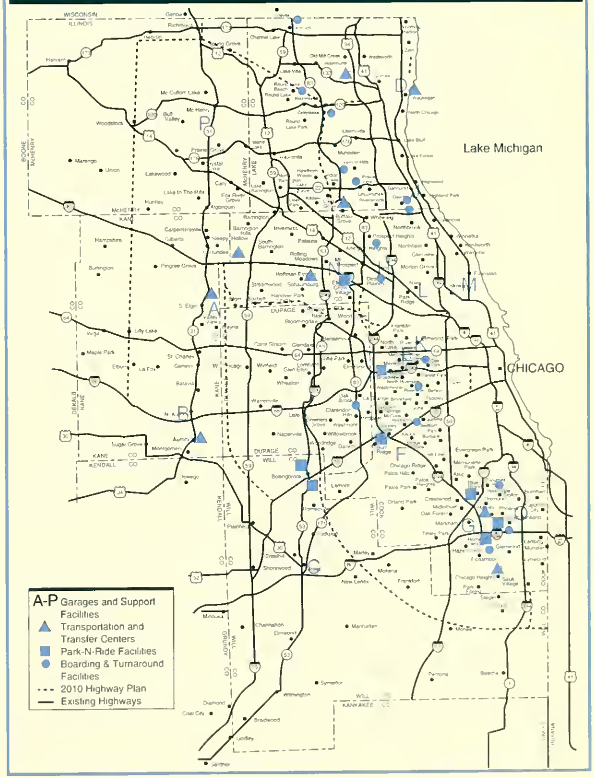
Boarding and Turnaround Facilities

Antioch Metra
Clarendon Hills Metra
Deerfield Metra
Des Plaines Metra
Homewood Metra
Lake-Cook Road Metra
North Riverside Park Turnaround
Oak Park CTA/Metra
Prairie Crossing/Libertyville Metra
Prairie View (Vernon Twp.) Metra
Prospect Heights Metra
Riverdale Bus Turnaround
(Construction 1998)
Round Lake Beach Metra
South Suburban College (South Holland)
Summit CTA/Pace
Vernon Hills Metra

Park and Ride Facilities

Blue Island Park-n-Ride
Blue Island
Bolingbrook Park-n-Ride
Old Chicago Drive
Bolingbrook
Bolingbrook Park-n-Ride
Town Center
Bolingbrook
Burr Ridge Park-n-Ride
Burr Ridge
Elk Grove Village Park-n-Ride
Elk Grove Village
(Construction 1998)
South Holland Park-n-Ride
South Holland
Homewood Park-n-Ride
Homewood
Hillside Park-n-Ride
Hillside
(Leased)

Map 4. Pace System Garage and Support Facilities



PACE ROLLING STOCK— ACTIVE FLEET

Table 4. Pace Rolling Stock Active Fleet

Fixed Route

Manufacturer	Year	No. of Vehicles	Age	Length	Lift Equipped
Gillig	1986	20	11	35'	Yes
Orion I	1988	100	9	40'	No
Orion I	1989	71	8	40'	No
Orion I	1990	50	7	40'	No
Orion I	1990	84	7	35'	Yes
Orion I	1990	43	7	40'	Yes
Ikarus	1992	71	5	40'	Yes
Orion I	1993	20	4	35'	Yes
Orion I	1993	86	4	40'	Yes
Chance	1995	15	2	26'	Yes
Nova	1996	22	1	40'	Yes
Eldorado	1997	56	0	29'	Yes
Total		638			
Average Age		6.0 Years			

Paratransit

Manufacturer	Year	No. of Vehicles	Age	Length	Lift Equipped
Ford/Goshen Buses	1990	17	7	23'	Yes
Ford/Goshen Buses	1991	20	6	23'	Yes
Ford/Braun Vans	1993	4	4	19'	Yes
Ford/Eldorado Buses	1994	110	3	23'	Yes
Chance Buses	1995	3	2	26'	Yes
Eldorado Vans	1995	73	2	19'	Yes
Eldorado Buses	1995	30	2	23'	Yes
Eldorado Vans	1996	45	1	19'	Yes
Eldorado Buses	1996	70	1	23'	Yes
Eldorado Buses	1997	2	0	19'	Yes
Total		374			
Average Age		2.4 Years			

Vanpool

Manufacturer	Year	No. of Vehicles	Age	Length	Accessible
Vans	1992	56	5	Various	1
Vans	1993	13	4	Various	1
Vans	1994	58	3	Various	1
Vans	1995	57	2	Various	0
Vans	1996	68	1	Various	6
Vans	1997	69	0	Various	0
Total		321			
Average Age		2.1 Years			

OPERATING ENVIRONMENT

The Pace service area measures 3,446 square miles, nearly the size of the state of Connecticut. The suburban area is divided among the six counties and incorporates 267 municipalities. Transportation needs among this broad area are as unique as the individual communities that comprise it. The suburb-to-suburb commute trip has now become the dominant travel market in the region and is primarily served by the automobile.

Population and Employment

The suburban area has a 1990 population of 4,454,317 and employment of 2,163,660. The suburban area not only exceeds the City of Chicago in terms of absolute population and employment, but it also continues to grow while population and employment in the City have declined since 1970, as shown in Chart A.

Suburban Office Space

In total, 40% of the region's office space is outside of the City of Chicago. Since 1975, over 57 million square feet of office space has been built in the suburbs, the majority of which is poorly accessible to transit patrons. Large building set-backs and a lack of sidewalks and pedestrian crossings are typical of the suburban environment.

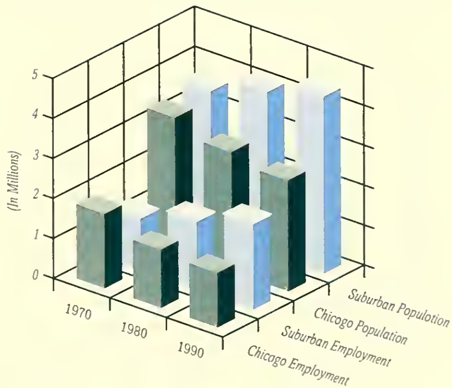
To ensure that future development is transit accessible, Pace works closely with interested municipalities and developers to assist them in incorporating transit planning into their projects. By becoming part of the plan review process, transit amenities can be incorporated into their development plans from the outset.

In 1996, Pace provided technical advice on 45 proposed development plans and 26 IDOT roadway improvement projects. By cooperatively working with IDOT, Pace has been able to incorporate transit needs such as bus turnouts, shelters, turn lanes and signal modifications into road improvements as needed to provide faster, more effective service.

Highway Traffic Congestion

The substantial growth in suburban population, employment, households and office space has clogged the region's highways with traffic congestion. Between 1980 and 1990, traffic volumes have increased 33% while highway miles increased by only 5%. From all indications, the situation is likely to worsen considerably by the year 2010 unless new funding is provided for highway and transit improvements.

Chart A. Service Area Population and Employment

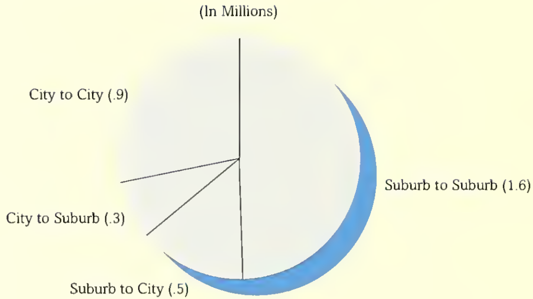


Journey to Work Market

The total journey to work trip market reached 3.3 million (one-way) trips in 1990, up over 9% from 1980. At the same time, however, total ridership for the region's mass transit providers fell by 16.7%, a loss of nearly 137 million annual trips.

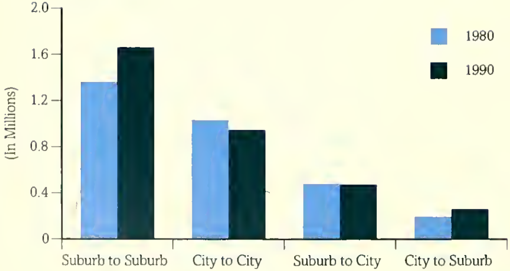
The region's work commute market can be divided into four major segments (Chart C) which facilitate understanding of the effect that population and employment shifts have on travel and transit demand. Transit's strongest markets have traditionally been the city-to-city and suburb-to-city commute markets and, as can be seen on Chart B, these markets have either declined or remained flat from 1980 to 1990. In contrast, transit's weakest markets, suburb-to-suburb and city-to-suburb (or the reverse commute) have grown dramatically from 1980 to 1990.

Chart C. Journey to Work Travel Market Segments*



Based an 1990 Census Transportation Planning Package data

Chart B. Journey to Work Trip Volume By Major Market—1980 vs.1990



The impact of these market shifts on transit ridership for the three Service Boards has also been significant as shown on Chart D. The heaviest losses were experienced by the CTA which experienced substantial declines in population and employment in its City based market. Commuter rail ridership declined by 12.6 million annual trips, though this is largely attributed to the dramatic fare increases levied in the early 1980's, a result of the RTA financial crisis prior to the creation of Metra. Pace ridership actually grew by 2.2 million trips for the 1980 to 1990 period, although the growth did not parallel increases in suburb-to-suburb commuting. This is due to several factors; first, over 40% of Pace service is in the suburb-to-city market which has been flat since 1980; secondly, most of the growth in suburb-to-suburb commuting has taken place in the lower density outlying suburbs while Pace services to a great extent are concentrated in the older, closer in suburbs and satellite cities of Aurora, Elgin, Joliet and Waukegan. For the most part, the inner suburban communities and satellite cities well served by Pace have also lost population and employment from 1980 to 1990. Pace's long range plans address this issue.

Regional Transit Capital Assets

While the majority of the region's population and employment are suburban, and the growth continues to exceed the City, the region's heaviest investment in transit capital is designed to serve the City and central business district. Pace capital assets represent only 1% of the region's capital infrastructure, though Pace carries nearly 7% of the region's transit patrons (reference Chart E).

Chart D. System Ridership

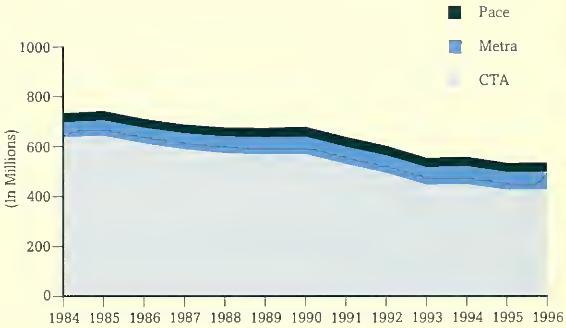
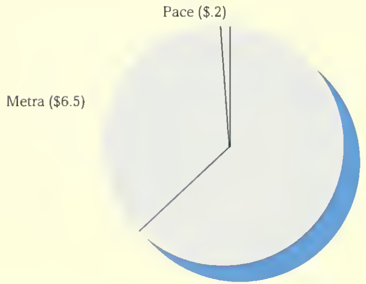


Chart E. Public Transportation Assets (Billions)

(Replacement Value)



PERFORMANCE

Pace closely monitors the performance of its services. A quarterly evaluation is performed on all fixed route services and those routes that fail to meet minimum performance standards are restructured or eliminated. Funds saved by the reduction of low productivity services are redirected to better service opportunities. This helps to increase Pace's ridership while maintaining stable recovery performance.

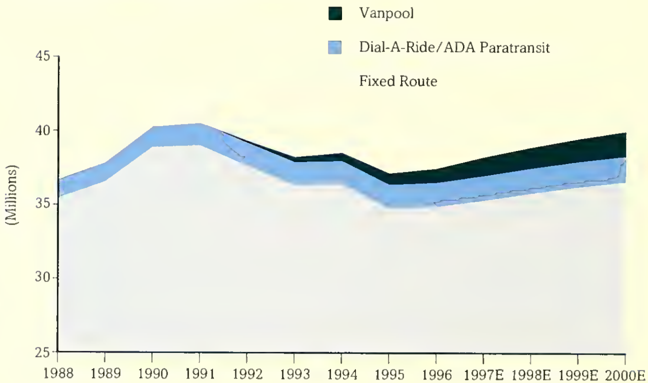
Ridership

Pace ridership for 1997 is projected to end the year 2.1%, or 779,000 trips, over the 1996 levels of 37.5 million riders. The increase in ridership is primarily attributed to the expansion of the vanpool program, continued fixed-route ridership growth, and the full effect of added service funded under the CMAQ program.

For 1998, Pace is projecting to carry 38.9 million passengers, up 1.7% from the 1997 estimate. This forecast is based on achieving a 1% increase in base system ridership, with continued growth in vanpool and ADA paratransit ridership of 12% and 3.3%, respectively. Also, an additional 151,000 riders are projected from the new CMAQ program.

Historical and projected suburban bus ridership is represented on Chart F.

Chart F. Suburban Bus Ridership



Cost per Mile

Pace's cost control efforts are substantiated by performance as measured by cost per mile. For the ten year period from 1988 to 1997, expense per mile has remained essentially unchanged with a slight growth of only 1.3%, while inflation for the same period has totalled 34.1%. If it were not for the cost savings programs and efforts, Pace's expense per mile growth would have been at (or greater than) the rate of inflation for the period. Without continued cost containment efforts, the 1998 budget may have been closer to $4.12 per mile instead of the projected $2.96. This savings of $1.16 per mile is significant and amounts to $44.3 million or nearly 39% of the 1998 budget. The cost per mile trend is represented on Chart G.

Recovery Ratio

The recovery ratio is calculated by dividing total operating revenue by total operating expense. Pace's recovery ratio experienced a dramatic increase in 1990 due to new funds coming in from the State of Illinois' half-fare subsidy program. However, as the State has reduced the amount of funds available under this program, Pace's recovery rate has declined. Also, the expansion of ADA paratransit service as required by law serves to depress the recovery ratio as these services typically recover less than 10% of their cost from passenger fares.

Pace has been required to achieve increasing recovery levels for the past several years and the RTA is again requiring Pace to raise their recovery ratio for 1998 from the 1997 budget level of 36.1% to 36.3%. The RTA's action is based on estimated recovery levels for 1998 that Pace had included in last years three year financial plan. However, last year's plan was based on specific revenue, expense and funding levels that have all changed since the original plan was developed. In order to now achieve the required recovery levels, Pace is faced with the choice of raising fares or applying a revenue carry-over from prior years favorable performance as allowed under the RTA Act. Further discussion of the recovery ratio is included in the issues area of the Operating budget section. Historical recovery performance is represented on Chart H.

Chart G. Pace Operating Cost per Mile Actual vs. Inflation

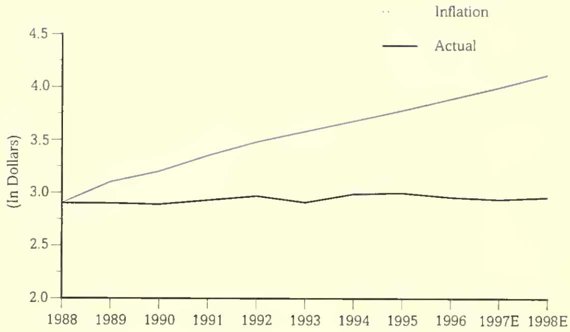
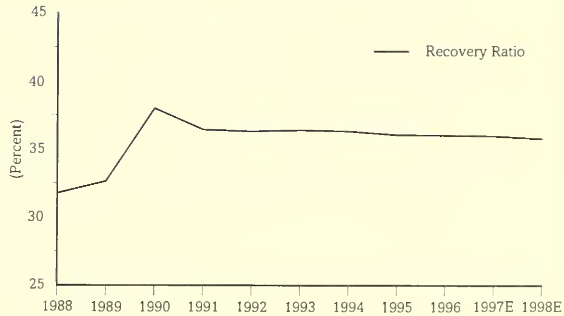


Chart H. Recovery Ratio



Strategic Planning

MISSION/VISION OVERVIEW

Pace, in an effort to address changing demographics and markets, has embarked in a new direction for success. Previously, Pace had focused its efforts on improving facilities and equipment. It is now time to concentrate on increasing ridership and redirecting funding and services to meet the needs of a changing marketplace, while maintaining fiscal responsibility. For that reason, Pace has adopted the Vision 2000: 45 Million Riders by the Year 2000.

This new goal will encourage all employees to support the changes that are necessary to be successful. Substantial changes to the traditional way of providing public transportation are needed. The Vision 2000 sets the course for this change and identifies the need to more effectively serve our suburban residents and employees.

The Vision 2000 will guide the planning process and service decisions of the organization. It represents a 17 percent increase in ridership over the next three years and requires that Pace maintain overall financial performance. Although this seems aggressive, Pace has identified a number of programs that put this goal within our reach. The updated Strategic Plan, the Comprehensive Operating Plan, and the 1997 Marketing Plan, all have specific programs which support our reaching 45 million riders annually by the year 2000.

As the focal point of these three plans, the Vision provides an explanation to our employees and the public on our direction for the next four years. With the Vision and these plans, the road has been paved, yet many obstacles challenge our success.

During the past 12 years, Pace's ridership has remained stable. We have actually lost ridership in our strongest market, the traditional suburb-to-city work commute market. The reason: population and employment continue to move from the city to the suburbs. As this happens, the public is looking more and more for Pace to solve the region's travel and congestion problems. For Pace to respond, we must be willing to change our way of providing service, and offer more time-competitive, flexible and direct service. Since this trend in population and employment is expected to continue, Pace must seek new, innovative opportunities to capitalize on this growth.

Programs such as the Vanpool Incentive Program, subscription bus service, special events service, and new express service have boosted our ridership in the non-traditional markets. This has saved us from the overwhelming ridership losses experienced by the CTA. Yet it will take a more aggressive approach to service restructuring and re-evaluating funding priorities for us to experience the ridership growth we believe possible.

The programs identified in the following plans will further Pace's reputation as one of the most innovative and successful transportation providers in the nation. The Strategic Plan sets forth the strategies and programs necessary to make our services more competitive with the single passenger automobile commute; the Comprehensive Operating Plan lays the groundwork for Pace's long-term planning; and the Marketing Plan profiles our customers and their characteristics, identifies our three travel markets, and focuses on opportunities to encourage passengers to ride more often, keep customers longer and gain new customers. The Vision 2000 incorporates these plans into one mission—to carry 45 million passengers annually by the year 2000.

STRATEGIC PLAN SUMMARY

In 1996, Pace updated the Strategic Plan originally adopted in 1988. That first Plan emphasized the need for Pace to keep up with changes in regional travel and, given past financial difficulties, to sustain sound fiscal performance. New services like expanded express bus operations and initiation of a vanpool program were proposed as complements to traditional fixed route service. In addition, development of passenger facilities like transportation centers and park-n-ride lots were recommended in support of those services. Enhancing operations through the use of advanced technologies was promoted, as was consolidation of publicly owned services under direct Pace control.

A number of objectives from that Plan have been met, and many new initiatives are currently underway. But the past several years have been difficult for Pace and regional public transit in general. Besides declining Chicago population and employment, frequently changing CTA fare policies have dampened customer demand for connecting services to Chicago destinations. While the suburbs are growing, Pace's funding has not enabled it to keep up with travel demand in the markets it serves. Although ridership has been relatively stable, Pace is losing market share to autos carrying a single occupant. In addition, several federal mandates that affect Pace have come into being in the interim.

For example, the Americans with Disabilities Act (ADA) has expanded public transit's obligations to persons with disabilities. The Intermodal Surface Transportation Efficiency Act (ISTEA) has changed the way public transit is funded and managed at the federal, state and local level. The Clean Air Act Amendments (CAAA) increased the transportation community's role in making the environment less hazardous. Uniform Commercial Drivers License (CDL) requirements and mandatory drug testing were implemented by the U.S. Department of Transportation, and other recent changes in legislation and regulations now influence Pace policy and operations. Individually, any one of these items would be sufficient reason to revisit the original Plan.

STRATEGIC VISION

Regional travel data and socio-economic forecasts provide a glimpse of a challenging future. Suburb-to-suburb travel has become the predominant commuting market in the metropolitan area, and reverse (city-to-suburb) commuting is increasing at a rapid rate. Unfortunately, a relatively small percentage of public transit resources are directed to these markets. The traditional suburb-to-city market benefits from billions of dollars worth of investments in rail and rapid transit service made over many years; however, as a percentage of overall regional travel, that market is currently declining and is expected to continue to do so for several decades.

Therefore, in order to remain a viable commuting option, we must keep up with travel growth in the suburbs. The new Strategic Plan has, as its Vision, a system serving forty-five million passengers annually by the year 2000, while maintaining stable farebox recovery performance at 35%. Since the adoption of the Vision 2000 program, Pace has shown steady ridership improvement; however, funding shortfalls in 1996 and 1997 necessitated service reductions which have been counter-productive to ridership growth.

Responding to Changing Markets and Forecasts

As one of the most comprehensive market studies done in the industry, the 1997 Marketing Plan identified the behavioral characteristics of Pace's customers. Approximately 80% of those customers take Pace to work, and on average they have done so for 5-1/2 years. Our customers come from three major market segments: the traditional suburb-to-city market; the reverse commute, or city-to-suburb market; and, the suburb-to-suburb market. While the bulk of Pace's fixed route service is focused on the suburb-to-city market, total travel (both auto and transit) to that market has declined through the 1980's, while in Chicago the population dropped 7.3% and employment declined 6.2%. At the same time, the suburbs experienced employment growth of 24.7%. Combined with a 9.3% increase in suburban population, travel to and/or through the suburbs has grown substantially, resulting in additional traffic congestion, reduced air quality, longer travel times and—most distressing for Pace—stagnant transit ridership and financial performance.

Other data indicate that travel by transit is substantially slower than by private automobile, and that the gap is widening over time. Also, development densities are declining, making it more difficult to provide local fixed route services in growing areas. These trends were identified in the 1988 Strategic Plan, but the magnitude of the changes are even greater than originally anticipated.

Chart I. Work Travel Times by Mode

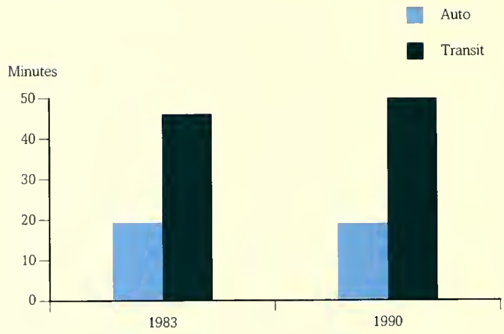
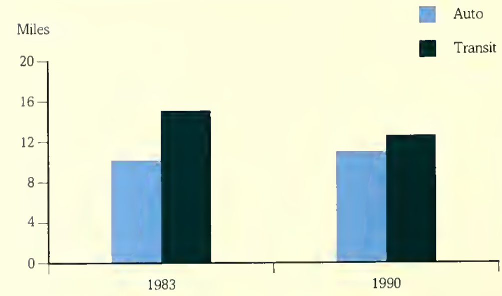


Chart J. Work Trip Lengths by Mode



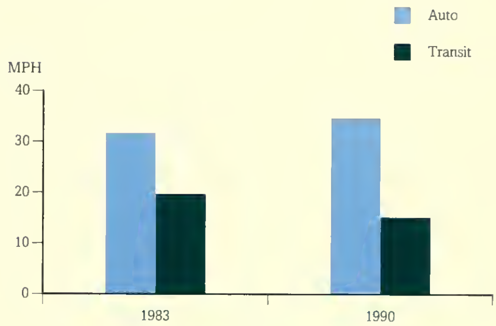
Strategic Plan Highlights

The Strategic Plan calls for Pace to take actions that:

- provide bus priority at traffic signals in congested travel corridors to improve fixed route bus service reliability and operating speeds;
- allocate service to implement the initial stages of Pace's budding express bus network;
- develop park-n-rides, transfer facilities and transit centers to support the express bus, subscription bus and vanpool operations;
- increase non-traditional services like vanpool and subscription bus, and identify other transit options that extend Pace's market reach in the long distance and low density commute markets;
- significantly expand the availability of sheltered waiting areas throughout the Pace service area;
- enhance passenger information;
- seek additional operating funds in order to provide all manner of services in support of economic development, congestion management and environmental quality efforts;
- tailor feeder services in coordination with Metra station area parking programs to satisfy commuter demands for station access and ensure reasonable financial performance of Pace operations;
- secure an ADA cost exemption from the farebox recovery rate calculation and introduce more efficient and cost-effective service alternatives.

The vision of Pace serving 45 million customers annually by the year 2000 is within reach. In order to fulfill this vision, Pace will need to secure additional public funding, implement new technologies, enhance service quality, pursue an aggressive program of capital facilities improvements, and conduct a limited amount of service restructuring in conjunction with major service expansions. Programs to bring the Plan to fruition have already begun, but much work remains to attain the Vision. As we approach the year 2000, it is becoming apparent that additional funding for the implementation of new service initiatives may not materialize. While this may dampen the new service ridership growth potential for Pace, it will not prevent us from growing our base ridership. We will rely on our creativity and initiative to capitalize on those projects that are within our financial capacity.

Chart K. Speed by Mode



LONG RANGE PLANNING

In 1992, Pace developed a long range Comprehensive Operating Plan (COP) which established a vision for the suburban transit system to the year 2010. The COP was created to provide a direct link between the region's 2010 Transportation System Development Plan and Pace's five year capital plan and the annual operating and capital budget elements. Elements of the COP have been included in the draft CATS 2020 Regional Transportation Policy Plan. The Pace COP identifies specific efforts to be pursued in the development of a comprehensive suburban public transportation system. They are briefly summarized as follows.

Fixed Route and Express Bus Service

Responding to growing population, employment in further outlying suburbs and the need to connect residents to major suburban employment centers, the COP identifies the need to double the level of fixed route services offered by the year 2010. Over a dozen corridors are identified to provide high speed linkages to major employment centers. Pace has successfully implemented service in several of these corridors using flexible transportation funding made available for the first time under ISTEA.

Dial-a-Ride Service

The COP identifies the need to geographically expand dial-a-ride services throughout the service area. In low density markets, dial-a-ride can provide vital transportation services to areas not efficiently served by fixed routes.

Custom Services

The COP identifies the need to move forward with the VIP vanpool program and subscription bus program. Pace's vanpool program has grown to 269 vans in service and is well on its way to achieving the 2010 target of 500 vans in service ahead of schedule. The nine subscription routes and two custom routes implemented in conjunction with Suburban Job Link are adding over 200,000 annual riders to Pace. These services which have high recovery rates are consistent with Pace's general strategy.

Vehicles

The COP calls for the expansion of the total vehicle fleet from just over 1,333 now to 3,200 by 2010. Additional vehicles will be required for vanpools, express bus routes, fixed route, ADA paratransit and dial-a-ride expansion. The plan calls for the replacement of contractor-owned school buses (used in Metra feeder service) with smaller shuttle type coaches. In addition, Pace will experiment with other vehicle designs to meet market conditions such as more comfortable seating configurations for long distance express bus routes.

Garages

In late 1994, Pace completed the construction of its ninth garage (in Evanston) which concludes the ten year program to renovate and replace the nine fixed route division garages. In the future, the COP identifies the need to expand present facilities as necessary to accommodate growing service levels. The plan also identified the need for new garages in McHenry, DuPage, and South Cook counties. Land for the McHenry County garage included in the 1995 Capital Program has been acquired and the facility is now being designed. A new DuPage County garage is included in the 1998 Capital Program.

Park-n-Rides

The COP identifies the need for 96 park-n-ride facilities by 2010. To maximize access to limited access highway facilities (also planned) and reduce bus circulation through residential communities, a large percentage of park-n-rides are planned near expressways and tollways. Pace has taken steps to implement these facilities critical to serving the suburb-to-suburb commuting market. These facilities will improve auto-bus connections for customers that prefer or need to drive to get to a transit facility.

Passenger Facilities

The COP calls for the implementation of eight additional transportation centers and 74 new transfer facilities by 2010. Transit centers will be implemented in major development areas to facilitate the interchange of express and local routes. Smaller transfer facilities will be integrated into smaller developments such as shopping centers. Both facilities may be constructed in conjunction with park-n-ride lots if needed.

Restricted Use

In order to increase the speed (which reduces costs and increases ridership) of express service operating on the region's highways and tollways, Pace's COP calls for the implementation of 158 restricted use facilities along the major highways in the region. A restricted use facility would allow buses and other HOV's to bypass high congestion areas such as interchanges. Also, exclusive toll bypass lanes and bus only exit/entrance ramps are proposed at several locations. Pace has worked closely with the Illinois State Toll Highway Authority to coordinate planned project implementation in highly congested travel corridors.

Pace recently completed a 62 car park-n-ride lot in Blue Island (top). Pace will break ground in 1998 for a new transportation center in Harvey (bottom).

Signal Priority

The on-time performance and operating speed of Pace vehicles can be significantly enhanced through the use of signal priority systems. These systems adjust traffic signals to speed bus movement through an area. These systems can significantly reduce operating costs and improve performance in congested areas. The COP identifies 75 corridors which would benefit from signal preemption. Funds for the first phase of this system's development were included in the 1994, 1995, and 1996 Capital Programs. IDOT is currently conducting a demonstration project testing the effectiveness of the technology and operating strategy in cooperation with Pace and the CTA. Preliminary results are favorable to bus operations.

The implementation of Pace's long range plan will be hampered by the shortage of capital funds over the next five years as discussed in Pace's 1998-2002 capital program section of this document.

MARKETING PLAN

Pace's 1997 Marketing Plan represents our best effort at preparing a comprehensive plan designed to achieve the identified ridership goals within each major commute market. The plan primarily focuses on work commute trips which comprise 80% of Pace's customer base. The three major commute markets in which Pace provides service are defined as being the suburb-to-city, suburb-to-suburb, and city-to-suburb (or reverse) commute markets.

The following summarizes each major chapter contained in the plan:

The Market

Eighty percent of Pace's customers use the service to get to work. During the 1980's, the City lost 7.3% of its population and 6.2% of its employment base; meanwhile, the suburbs grew 9.3% in population and suburban employment increased 24.7%. The shift in population and employment has resulted in changes in commute patterns which do not bode well for transit. From 1980 to 1993, CTA lost 35.8% of its ridership and Metra lost 14.6%. Based on volume, the largest commute market in the region is now the suburb-to-suburb market which, at 1.7 million a.m. work trips, is nearly the size of the remaining markets (suburb-to-city, city-to-suburb and city-to-city) combined. Based on market trends and Pace's ridership composition by market, a baseline projection of Pace ridership of 40.7 million is forecast for the year 2000. This represents growth of just over 8% from 1995 levels, a compound annual rate of 1.5%. At this growth rate, Pace will lose market share as compared to 1990 in each major commute market.

The Customer

Recent market research reveals marketable differences between Pace customers in each major commute market. Customers in the suburb-to-city market are less transit dependent, earn higher incomes, are more likely to own a home, be married, and have been a Pace customer longer than customers in the suburb-to-suburb or city-to-suburb markets. Our highest female customer base (72%) is in the city-to-suburb market which also represents our largest minority population market (59% African American). Our city-to-suburb customers commute the longest distances (26.5 miles) and have the longest travel times (80 minutes) of any Pace commuter group. A large proportion of our customers also use the CTA (43.8%) and Metra (15.4%) on a regular basis. A significant number (7.7%) also use their autos five days per week, in addition to using Pace.

Our customers are very loyal with an average retention period of 5.5 years. The main reasons for leaving Pace are related to the purchase of a car and moving or switching jobs. Pace receives high overall marks for its service, with users rating Pace an 8.4 on a scale of 1 to 10. Non-users also rated Pace fairly well at 7.35. Customers in each market place different levels of importance and satisfaction on the various aspects of Pace service, with suburb-to-city customers being more concerned with schedule dependability and less concerned with cost; city-to-suburb commuters being more concerned with convenience and cost than our other customers. A "gap analysis" which compares Pace's performance to the relative importance of service delivery aspects indicates Pace is not meeting customer expectations in several key areas such as ease of use, shelters and stop locations, while we exceed expectations in terms of vehicle comfort and appearance.

The Competition

Automobiles command 80% of the journey-to-work commute market, their lowest share, 71%, is in the suburb-to-city market, the highest, 95%, in the suburb-to-suburb market. Autos actually gained market share from transit (4 points) in the suburb-to-city market during the 1980's. Auto commute costs are perceived to be about equal to transit costs by auto commuters. Auto commuters typically underestimate their commute costs considering

only fuel and parking; they often view ownership costs as being fixed and independent of their commute cost. Auto travel times are less than half that of transit in the suburb-to-suburb and city-to-suburb markets and are comparable in the suburb-to-city market. Ninety three percent (93%) of suburban households own at least one car, while 34% of City households do not have a car. Less than half (47%) of Pace customers do not have a car available (captive), while 53% do have a car and choose Pace for other reasons. Our highest captive market is in the city-to-suburb market at 62%, our lowest captive share is in the suburb-to-city market at 36%.

The Service

The majority (72%) of Pace's fixed route ridership is carried by our inner suburban route service classification. The inner suburban route group is our best performing with many routes serving all three markets. The inner suburban group carries more passengers in each market than any other route category. Evaluated in terms of subsidy per trip and average daily ridership, our inner suburban routes are our best performers in the suburb-to-city market; the feeder route category contains the poorer performers in this market. Our inner suburban suburb-to-suburb service performs well, while rush hour only routes in this market do not. Similarly, in the city-to-suburb market, the best performing routes also serve the in-bound market, while the least effective routes serve only the reverse market. Our top 25 fixed routes carry 50% of our ridership.

Subscription bus service is subject to limited opportunities, largely a function of employer relocations. Subscription routes may have limited life times of five to six years. Eighty percent (80%) of our vanpools are in the suburb-to-suburb market, and the remaining 20% in the city-to-suburb market. Vanpool performs well in both markets and does not appear to be dependent on employer relocations.

Marketing Strategies

An assessment of Pace's position in each market reveals our strongest competitive position is in the suburb-to-city market. While the suburb-to-suburb and city-to-suburb markets exhibit greater growth potential, they are more difficult to serve cost-effectively. The guiding strategy for each market is identified as follows:

Suburb-to-City

Become more focused on efficient elements, eliminate low productivity elements, reinvest in high-potential services.

Suburb-to-Suburb

Extend and develop suburb-to-suburb commute options where productivity is good, lower the cost of service via capital investment or direct operation, heavily promote low cost, high recovery services such as vanpool.

City-to-Suburb

Build reverse commute elements of inner suburb, multiple market routes. Market fixed route (reverse connections) to CTA. Identify more efficient service opportunities such as express bus, subscription bus and vanpools with City origins.

These strategies are further developed via a quantitative forecast of ridership by market for each year through 2000 which is contained in the plan. Our 1997 marketing objectives called for Pace to increase average daily ridership by 3,645 customers or about 2.5%. We are falling short of this objective as of August 1997, largely due to service reductions implemented early in the year. 1998 objectives are being established at this time and will be incorporated into the 1998 Marketing Plan. Strategies for increasing ridership in each market are identified in the plan document and are too numerous to summarize here. They generally center around increasing existing customer retention and utilization and attracting new customers.

1998 Operating Budget

ISSUES

The RTA has proposed to increase funding to Pace for 1998 by 2.5% over the 1997 level. While this increase is welcomed, it falls short of our need for 1998 by $1.9 million. The proposed budget for 1998 addresses this shortfall by two actions.

First, Pace will cut $1.0 million from the expense budget in 1998. While the majority of these cuts will fall in areas that do not directly affect service, $.3 million will come from minor reductions in fixed route services.

Secondly, Pace will increase the amount of federal capital funding used to support the maintenance program by $.9 million. Pace had used $1.0 million from this source to support the operating budget in 1997. This will now increase to $1.9 million for 1998. The additional $.9 million used to close the budget shortfall is slightly less than the $1.0 million reduction in federal funding for operations incorporated into RTA's funding level for 1998. This application of capital to the operating budget serves to offset the reduction in federal operating funds.

While these actions balance the budget from the critical funding perspective, they are insufficient to achieve the RTA recovery ratio requirement of 36.3%. The actions identified result in a recovery ratio of 35.8%. The higher recovery rate required by the RTA is not achievable without increasing fares. In general, it would require the equivalent of a $.10 fare increase in all fare categories to achieve the farebox revenue level necessary for a 36.3% recovery rate. As this rate was set by RTA based on outdated assumptions regarding the level of Pace reimbursement from the State's Half-fare program (which is now lower), and did not consider the revenue loss associated with Pace's acceptance of the new CTA fare card, Pace believes the RTA should reconsider the mark level and set it at the more appropriate 35.8%. This rate is consistent with our strategic plan which calls for the maintenance of stable recovery rate performance.

As the proposed budget is balanced, the higher recovery ratio requirement does not accomplish anything, except perhaps to force an unnecessary fare increase and the associated loss of riders. Pace will explore its options to avoid this. One avenue under consideration is the application of "carry over" from prior years when our recovery ratio exceeded RTA requirements. The RTA Act allows Service Boards to use such carryovers to meet future recovery ratios.

As this is our proposed budget for 1998, and it is prepared for purposes of public input, we are very much interested in hearing what our constituents have to say on this matter.

SUMMARY

The RTA Board of Directors on September 11, 1997, established Pace's 1998 funding level at $69,100,000 for operations and a farebox recovery ratio of 36.3%. The RTA funding mark represents a reduction of $1.9 million from Pace's needs for 1998. This shortfall has been addressed by the inclusion of $.9 million in capital funding for operations and $1.0 million in expense cuts. The expense reductions will be achieved for the most part without an adverse impact on services. Approximately $.3 million of the expense reduction necessary to balance the budget will come from minor reductions in fixed route services.

The proposed budget achieves a 35.8% recovery ratio and does not reach the RTA requirement of 36.3%. In order to achieve a higher recovery ratio, Pace would have to increase revenues by raising fares. We believe this to be unnecessary and will request that the RTA reconsider this recovery mark for 1998.

Pace's proposed recovery ratio of 35.8% is well within our strategic guideline of maintaining stable recovery performance. Further increases in the recovery ratio will have an adverse impact on ridership and provide no significant contribution to the regional recovery ratio.

TABLE 5. 1998 OPERATING BUDGET SUMMARY (000'S)

	1996 Actual	1997 Estimate	1998 Budget
Total Operating Expense	$ 105,306	$ 109,195	$ 113,050
Less: System-Generated Revenue	37,957	38,939	39,784
Funding Requirement	$ 67,349	$ 70,256	$ 73,266
Less: RTA Funding for Operations	$ 66,578	$ 67,425	$ 69,100
Congestion Mitigation (CMAQ)	571	1,741	2,281
Capital Funding for Maintenance	0	1,020	1,885
Pace Fund Balance	147	70	0
Surplus/(Deficit)	$ (53)	$ 0	$ 0
System Recovery Ratio	36.0%	36.0%	35.8%

SOURCE OF FUNDS

Pace relies on two major sources of funding: operating revenues and public funding provided by the RTA. Public funding is made up of three major components: sales tax, federal operating assistance and the state subsidy provided via the public transportation fund (PTF).

Sales Tax

Section 4.03(e) of the Amended RTA Act allows the RTA to impose a 1% sales tax in Cook County and a 1/4 percent sales tax in Will, Kane, Lake, DuPage and McHenry Counties. Section 4.01(d) of the Act specifies the distribution of sales tax receipts to the Service Boards and RTA as shown on Table 6.

Pace expects to receive $61,189,000 in sales tax revenues in 1998. This represents approximately 10.8% of the total RTA region's estimated receipt of $567 million which, based on Illinois Bureau of the Budget estimates, represents a 3.1% increase over estimated 1997 levels.

Sales Tax Trends

Sales tax receipts have rebounded from the 1991 recession and have shown growth in excess of inflation through 1996. This trend is also projected to continue into the outlying years of this plan. The RTA contracts with the WEFA Group, an economic consulting firm, for the preparation of sales tax forecasts. The WEFA long range forecasts are then adjusted to incorporate the State Bureau of the Budget forecast for the coming year. Table 7 summarizes historical and forecast sales tax growth through 2000.

Public Transportation Fund (PTF)

Section 4.09 of the Amended RTA Act establishes a Public Transportation Fund in the State treasury. The PTF is to be funded by transfers from the General Revenue Fund, and all funds in the PTF are to be allocated and paid to the RTA, provided it meets the budgeting and financial requirements as set forth in the Act. The amount transferred to the fund equals 25% of the net revenue realized from the sales tax. The RTA allocates PTF revenues to the Service Boards on the basis of need for both capital and operating purposes. For 1998, the RTA will allocate an estimated $7,309,000 in PTF funds to Pace for operating purposes.

Table 6. Allocation of Sales Tax Receipts

	RTA	CTA	Metra	Pace
Chicago	15%	85%	—	—
Suburban Cook	15%	(30%	55%	15% of remaining 85%)
Collar Counties	15%	(—	70%	30% of remaining 85%)

Table 7. Regional Sales Tax Trend (000's)

	Amount	% of Change
1987	$ 386,439	4.8%
1988	$ 418,752	8.4%
1989	$ 429,988	2.7%
1990	$ 444,110	3.2%
1991	$ 425,173	(4.3%)
1992	$ 445,891	4.8%
1993	$ 462,393	3.7%
1994	$ 497,698	7.6%
1995	$ 513,304	3.1%
1996	$ 532,304	3.7%
1997E	$ 550,000	3.3%
1998E	$ 567,000	3.1%
1999E	$ 589,652	4.0%
2000E	$ 614,594	4.2%

PTF Trend

PTF funding for the region is directly correlated to sales tax receipts and has grown similarly. However, unlike the sales tax allocation which is established by the RTA Act, PTF is allocated at the discretion of the RTA. In general, RTA has reduced PTF allocations to Pace over time as sales tax growth has covered a larger portion of the operating requirement.

Federal Operating Assistance (FTA Section 9 Funds)

Section 4.02(a) of the Amended RTA Act grants the RTA the authority to apply for, receive and expend grants, loans and other funds from the State, Federal and/ or local governments. Further, Section 4.02(c) (2) states that the RTA shall adopt a formula to apportion such funds.

The formula is to take into consideration such items as ridership levels, service efficiency, transit dependence and the cost of service, among other factors. The formula used to apportion Federal operating assistance in the RTA's 1997 budget was based on ridership, similar to the allocation in prior years. The 1998 allocation of $511,000 is based on suburban bus ridership as a percent of total ridership in the region. Pace suburban bus ridership accounts for 7.0% of the total ridership in the region.

FTA Operating Trend

The previous three year plan had estimated that Federal budget cutbacks would reduce, by half, the amount of FTA operating funds available to the region for 1998. However, the RTA is now estimating that these funds will be cut back even further in 1998 by nearly $324,000 below original planned reductions. By 1999, these funds are expected to be phased out altogether.

Other Federal Grants

A grant awarded to Pace for the People Mobilizer program will provide $91,000 for the south suburbs in 1998.

Beginning in the latter half of 1996, and continuing into 1998, Pace will receive a Federal Congestion Mitigation/ Air Quality (CMAQ) program award to implement various new express services throughout the region.

New in 1997, Pace began exercising the option of applying Federal capital assistance to fund a portion of its maintenance expenses. Under a new provision by the FTA, transit agencies may now use capital assistance to fund operating maintenance expenses at a level of up to 20% of recently reported maintenance expenditures. In 1998, Pace will rely on $1,885,000 from this source to balance the budget.

Other Federal Grant Trends

Grant funds for the People Mobilizer program will essentially be exhausted by the end of 1998. The CMAQ funding for new services is only available for the first three years of operation, after which time it is expected that funding would have to come from traditional local operating sources. The new FTA capital assistance for maintenance expense provision is expected to be available in the future.

Operating Revenues

Pace is budgeting for $39,784,000 in operating revenues in 1998, an increase of 2.2% over estimated 1997 levels. Base ridership is expected to grow by only 1.0%, with the remainder of growth coming from continued expansion of the vanpool program as well as the addition of the new CMAQ services program. Advertising income is also expected to contribute to the growth in revenue for 1998. Future trends for operating revenues are discussed in the three year financial plan section.

Pace's new ad shelter program provides income to both Pace and municipalities.

USE OF FUNDS

All funds received by Pace are used to provide, expand and support suburban bus services. The components of the 1998 Operating Program are fixed route carriers (Pace-owned, public contract and private contract carriers), dial-a-ride services, ADA paratransit services, Metra special services, vanpool, CMAQ services, administration, and centralized support expenses which include insurance and fuel.

Pace-Owned Services

Pace is responsible for the direct operation of nine carriers in the six county region. Together, these divisions—North, North Shore, Northwest, South, Southwest, West, Fox Valley, River, and Heritage—carry 82% of the total suburban bus ridership. Pace expects to provide $53,195,000 for expenses to these carriers in 1998. Further information on the Pace-owned services budget can be found on page 32.

Federal CMAQ funds provide Pace with an opportunity to expand into service market niches like reverse commute service implemented in conjunction with the Suburban Job Link program.

Public Contracted Services

Pace contracts directly with three municipalities (Niles, Melrose Park and Highland Park) for additional fixed route services. These services are expected to cost an estimated $1,736,000 in 1998. Further information on the public contracted services budget can be found on page 33.

Private Contract Services

Pace provides service to more than 71 communities by directly contracting with eight private transit companies. Pace expects to fund a total cost of $9,361,000 for these services in 1998. Further information on the private contract services can be found on page 34.

Dial-A-Ride Services

Pace subsidizes 53 dial-a-ride service projects throughout the six county region. Generally, these services are operated by townships or local municipalities under contract with Pace. Pace provides partial funding to these services, requiring the local government to support a portion of the net service cost based upon a formula applied to the total service cost. In 1998, Pace plans to expend $9,063,000 for these services. Further information on the Dial-a-Ride services budget can be found on page 35.

ADA Paratransit Services

In compliance with Pace's ADA plan to serve persons with disabilities, the program continues to grow. Pace's cost for these services is expected to reach $7,622,000 in 1998. Further information on the ADA paratransit services budget can be found on page 36.

Metra Special Services (P-8)

As Metra proceeds to implement accessible main line train service, they intend to phase out the RCAP (Rail Corridor Accessibility Program) paratransit service. Recognizing that residual obligation remains to ensure that individuals with disabilities can get to accessible Metra services, Metra and Pace have agreed to split the cost for these future services. Pace will subsidize 50% of an estimated $100,000 service cost in 1998. Further details of the (P-8) service budget can be found on page 37.

Vanpool

The 1998 budget for vanpool services contains $1,847,000. This program is targeted specifically at the short and intermediate range work-trip market where the majority of peak period travel occurs. The program has also been expanded to provide a transit alternative to individuals with disabilities who commute on a regular basis to work sites or rehabilitative workshops. The formation of vanpools has been very popular and the demand continues to grow. Pace expects further expansion of this program to 310 vans in service by the end of 1998. Pace's vanpool program continues to maintain a very high recovery rate at 94.2%. Further information on the vanpool services budget can be found on page 38.

CMAQ Services

Pace began initiating new fixed route services in late 1996 and throughout 1997 in accordance with a Congestion Mitigation/Air Quality (CMAQ) program award provided by the federal government. Continued expansion is planned as Pace will spend $3,014,000 for these new services in 1998. Further information on the CMAQ services program budget can be found on page 40.

Centralized Support, Insurance and Fuel

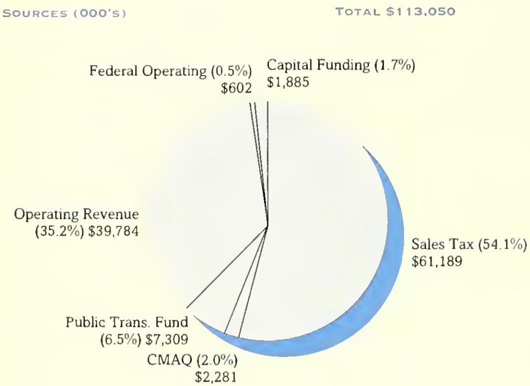
Pace provides a variety of direct operational support items through a centralized support program. Pace has been able to save money by buying in bulk and consolidating services. In total, Pace plans to spend $16,255,000 to provide fuel, insurance and other support items in 1998. Further detail on the centralized support program budget is contained on page 42.

Pace's vanpool program hos become a popular transit alternative for commuters. 310 vans are expected to be in operation by 1998.

Administration

In order to accomplish the duties of direct operational support, service planning, capital planning, financial control and MIS support, Pace's 1998 administrative budget is set at $11,194,000. Further information on the administration budget can be found on page 43.

Chart L. Sources of Funds



Next to sales taxes, passenger revenues are Pace's largest income source

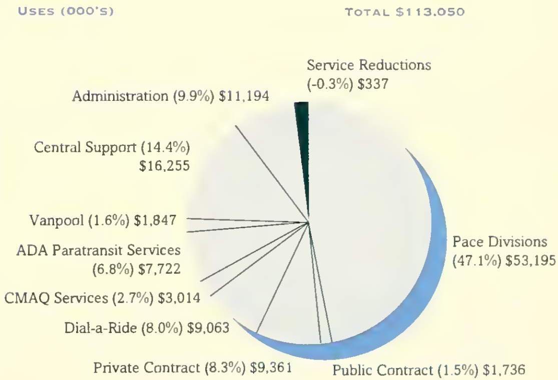
Table 8. 1998 Revenue Summary (000's)

	1996 Actual	1997 Estimate	1998 Budget
OPERATING REVENUES			
Pace-Owned Services	$ 23,379	$ 23,407	$ 23,594
Public Contracted Services	664	679	679
Private Contracted Services	3,049	2,967	2,967
Dial-A-Ride Services	4,478	4,606	4,772
ADA Paratransit Services	435	798	824
Metra Special Services (P-8)	0	10	50
Vanpool Program	1,240	1,519	1,740
CMAQ Services	70	540	734
Half-fare Reimbursement	1,470	1,504	1,504
Investment/Other Revenue	1,970	1,814	1,775
Advertising Revenue	1,202	1,095	1,145
Total Operating Revenues	$ 37,957	$ 38,939	$ 39,784
PUBLIC FUNDING			
Sales Tax	$ 56,379	$ 58,133	$ 61,189
Public Transportation Fund	7,150	7,701	7,309
Federal Operating Assistance	1,490	1,503	511
Other RTA Funds	1,477	0	0
People Mobilizer	82	88	91
Federal CMAQ Funding	571	1,741	2,281
Capital Funding for Maintenance	0	1,020	1,885
Pace Funds	147	70	0
Total Public Funding	$ 67,296	$ 70,256	$ 73,266
Total Source of Funds	$ 105,253	$ 109,195	$ 113,050

Table 9. 1998 Expense Summary (000's)

	1996 Actual	1997 Estimate	1998 Budget
Expenses			
Pace-Owned Services	$ 50,951	$ 51,807	$ 53,195
Public Contracted Services	1,663	1,683	1,736
Private Contracted Services	9,324	9,253	9,361
Dial-a-Ride Services	8,498	8,734	9,063
ADA Paratransit Services	6,591	7,480	7,622
Metra Special Services (P-8)	0	20	100
Vanpool Program	1,174	1,641	1,847
CMAQ Services	713	2,281	3,014
Centralized Operations	7,915	8,102	8,431
Insurance	4,424	4,371	4,497
Fuel	3,510	3,141	3,327
Administration	10,543	10,682	11,194
Service Adjustments	0	0	(337)
Total Expenses	$ 105,306	$ 109,195	$ 113,050
Surplus (Deficit)	$ (53)	$ 0	$ 0
Recovery Rate	36.04%	36.00%	35.79%
Fund Balance			
Beginning Balance	$ 6,235	$ 1,093	$ 773
Surplus/(Deficit)	(53)	0	0
Less: Obligations/Other	5,089	320	377
Ending Balance	$ 1,093	$ 773	$ 396

Chart M. Uses of Funds



The 1998 budget incorporates $1.0 million in expense reductions and $.3 million from services, in order to balance the budget with available funds.

1998 PACE-OWNED CARRIER BUDGET

Pace directly operates fixed route service from nine facilities located throughout the six county region. Pace facilities include: Pace North in Waukegan, Pace Northwest in Des Plaines, Pace South in Markham, Pace Southwest in Bridgeview, Pace West in Melrose Park, Pace Fox Valley in Aurora, Pace Heritage in Joliet, Pace River in Elgin and Pace North Shore in Evanston. Together these facilities provide service to approximately 89% of the system's fixed route riders and account for nearly 82% of total system ridership.

In 1998, Pace will expend $29.6 million to fund service at these nine locations. This is an increase of 4.2% over estimated 1997 levels.

Revenue is projected to increase 0.8% over the 1997 estimate, with projected growth in ridership of 1% to 31.3 million in 1998. The projected growth in revenue is less than ridership and reflects an expected offset to revenue resulting from the recent introduction of the new CTA stored value transit card. With the implementation of the new fare collection system, the CTA changed the pricing of its tokens to eliminate the $.15 discount (off their base $1.50 fare). This discount was transferred to the new fare cards to promote their acceptance. The net effect of this is that Pace will lose $.15 for every customer trip made with the new card to the CTA that was previously made using tokens and/or cash.

Total expenses will grow 2.7%, or slightly below inflation for 1998.

1998 Goals

1998 goals include reaching 31,347,000 passengers and producing $23.6 million in revenue in order to reach the budgeted recovery ratio of 44.35%.

Further detail on the Pace-owned Carrier budget is provided in Appendix A.

TABLE 10. BUDGET SUMMARY—PACE-OWNED CARRIERS (000'S)

	1996 Actual	1997 Estimate	1998 Budget
Revenue	$ 23,379	$ 23,407	$ 23,594
Expenses			
Operations	34,647	35,543	36,563
Maintenance	11,352	11,217	11,325
Non-Vehicle Maintenance	1,436	1,390	1,564
General Administration	3,516	3,657	3,743
Total Expense	$ 50,951	$ 51,807	$ 53,195
Funding Requirements	$ 27,572	$ 28,400	$ 29,601
Recovery Rate	45.89%	45.18%	44.35%
Ridership	30,873	31,037	31,347

Pace North Shore Division serves the Evanston-North Shore area.

1998 PUBLIC CONTRACTED SERVICE BUDGET

Pace contracts with the local municipalities of Highland Park, Niles, and Melrose Park for fixed route bus service.

The public contract carrier expense growth funded by Pace in 1997 will increase $53,000 or 3.1% over estimated 1997 levels. The 3.1% growth in expenses largely reflects an inflationary growth rate of 2.9% with an allowance for rising health care costs that are expected to grow at a much higher rate of inflation. Funding levels are up for this area of the budget in 1998 following a restricted limit on funding growth of 1.3% that was required to balance the 1997 budget.

Pace contracts with Highland Park to provide local service as well as seasonal service for the Ravinia Festival.

Revenue and ridership levels are assumed to remain constant in 1998 to estimated 1997 levels. Consequently, recovery performance will decline for this carrier group as expenditures grow and revenues remain unchanged.

1998 Goals

1998 goals include maintaining 1,095,000 passengers and achieving a recovery rate of no less than 39.12%.

Detailed information for the Public Contract Service budget is provided in Appendix A.

Table 11. Budget Summary—Public Contracted Services (000's)

	1996 Actual	1997 Estimate	1998 Budget
Revenue	$ 664	$ 679	$ 679
Expenses			
Operations	$ 1,162	$ 1,128	$ 1,199
Maintenance	370	375	366
Non-Vehicle Maintenance	0	0	0
General Administration	131	180	171
Total Expense	$ 1,663	$ 1,683	$ 1,736
Funding Requirement	$ 999	$ 1,004	$ 1,057
Recovery Rate	39.92%	40.35%	39.12%
Ridership	1,095	1,095	1,095

1998 PRIVATE CONTRACT CARRIER BUDGET

In 1998, Pace will contract directly with eight private transit providers for fixed route service in 71 different communities.

The total net cost for providing this service will increase $108,000 or 1.7% above the 1997 estimate. The below inflationary cost growth comes from private contract renewals at or below inflation combined with the benefit of adding private contractors to the Pace fuel purchase program. Also having a positive effect on the 1998 budget is the renewal of a specific contract that will be operated at a much lower rate than 1997 levels.

Ridership is expected to increase 1% in 1998 over 1997 levels. However, farebox revenue is anticipated to remain at 1997 levels. The zero growth in revenue reflects the anticipated impact from the implementation of the new CTA stored value transit card, as discussed in the Pace carrier section of this document. Under the new fare card system, Pace will lose $.15 for every customer trip made with the new card to the CTA that was previously made using tokens and/or cash.

Private contractors doing business with Pace include:
Car Enterprises
Colonial Coach Lines
DAR Systems
Keeshin Charter Service
Pauline Transportation
Robinson Coach
Ryder Student Transportation
Vancom-Laidlaw

The budget for private contracted services is summarized on the table below.

1998 Goals

1998 goals for the Private Contracted Services include carrying 2,875,000 riders at a minimum recovery rate of 31.70%.

Using a private contractor, Pace serves the park-n-ride lot in Burr Ridge.

Table 12. Budget Summary—Private Contract Carriers (000's)

	1996 Actual	1997 Estimate	1998 Budget
Revenue	$ 3,049	$ 2,967	$ 2,967
Operating Expenses	9,324	9,253	9,361
Funding Requirement	$ 6,275	$ 6,286	$ 6,394
Recovery Rate	32.70%	32.07%	31.70%
Ridership	2,904	2,846	2,875

1998 DIAL-A-RIDE SERVICES BUDGET

Dial-a-Ride service is available in a large portion of the Pace service area (reference Map 2, page 5). Nearly all service is provided with Pace-owned paratransit vehicles.

Pace contracts directly with private providers for the operation of 18 Dial-a-Ride projects. The communities served continue to provide financial support for these projects through "local share agreements" with Pace. Pace now receives funding to help cover a portion of Dial-a-Ride service costs through 33 local share agreements.

Pace has maintained grant agreements with villages and townships for the operation of 33 other Dial-a-Ride projects. In most cases, the local community operates the service. Pace's funding formula for grant agreements is based on providing a subsidy of $2.50 per trip or 75% of deficit, whichever is less ($2.50/75%).

The budget shown in Table 13 assumes continuation of the $2.50/75% subsidy formula and will provide for nearly $9.0 million in Dial-a-Ride service throughout the six county region. Total costs are up 3.8% in 1998, as costs of renewal for several private contracts are expected to exceed the 2.9% rate of inflation.

Dial-a-Ride service costs are summarized on the following table.

1998 Goals

1998 goals for the Dial-a-Ride program include carrying 1,297,000 passengers at a recovery rate of no less than 52.65%.

Table 13. Budget Summary—Dial-a-Ride Services (000's)

	1996 Actual	1997 Estimate	1998 Budget
Revenue			
Fares	$ 1,168	$ 1,073	$ 1,081
Local Share	3,310	3,533	3,691
Total Revenue	$ 4,478	$ 4,606	$ 4,772
Expenses			
Operations	$ 7,260	$ 7,375	$ 7,721
Maintenance	480	563	551
Administration	758	796	791
Total Expenses	$ 8,498	$ 8,734	$ 9,063
Funding Requirement	$ 4,020	$ 4,128	$ 4,291
Recovery Ratio	52.69%	52.73%	52.65%
Ridership	1,305	1,288	1,297

1998 ADA PARATRANSIT SERVICES BUDGET

In compliance with the Americans with Disabilities Act (ADA), Pace submitted a plan for the provision of complementary paratransit service to the Federal Transit Administration (FTA) in January, 1992. The plan was updated annually in accordance with FTA requirements each January until Pace achieved compliance in January, 1997. The ADA service area is depicted on Map 3 (page 6).

Pace will provide 412,000 ADA paratransit trips in 1998.

In 1997, Pace will provide $7.4 million in ADA service and carry 399,000 riders. Recovery performance will also finish 1997 at a new level of 10.67%. The improved recovery performance comes from the implementation of a $2.00 fare that was implemented as part of the 1997 budget balancing effort.

In 1998, Pace will provide $7.6 million in ADA service and carry 412,000 riders. Recovery performance is projected to remain above the 10% level at 10.81%. Details of the ADA budget are summarized in the table below.

1998 GOALS

1998 goals for the ADA paratransit program include carrying 412,000 passengers and maintaining a recovery rate in excess of 10%—10.81% for 1998.

TABLE 14. BUDGET SUMMARY—ADA PARATRANSIT SERVICES (000'S)

	1996 Actual	1997 Estimate	1998 Budget
Revenue	$ 435	$ 798	$ 824
Expenses	6,591	7,480	7,622
Funding Requirement	$ 6,156	$ 6,682	$ 6,798
Recovery Ratio	6.60%	10.67%	10.81%
Ridership	324	399	412

1998 METRA SPECIAL SERVICES (P-8) BUDGET

As Metra proceeds to implement accessible main line train service, they intend to phase out the RCAP (Rail Corridor Accessibility Program) paratransit service. However, they have a residual obligation under the Jones II agreement to ensure that individuals with disabilities can get to accessible Metra services within certain parameters. Many of these individuals may also be eligible for Pace paratransit services. Because of this overlap, Pace and Metra have agreed to split the cost (50/50) of these residual services. At this time, we do not know the demand for service under this program, but have been advised by Metra that they expect it to be minimal. We have budgeted for $100,000 in cost for this service with $50,000 in revenue coming from Metra. The cost is covered by a transfer of budget from our ADA paratransit budget, the reason being that many of these trips would have been eligible for Pace ADA paratransit service if the P-8 program were not available.

Table 15. Budget Summary—Metra Special Services (P-8) (000's)

	1997 Estimate	1998 Budget
Revenue	$ 10	$ 50
Expenses	20	100
Funding Requirement	$ 10	$ 50
Recovery Ratio	50.0%	50.0%
Ridership	.4	2

1998 VANPOOL

The vanpool program is a commuting option which provides passenger vans to small groups, 5 to 15 people, allowing them to commute to and from work together. The program continues to be well received, with 269 vans currently in use. Pace estimates to have 281 vans in service by year-end 1997 and projects to increase the number to 310 vans by the end of 1998. Ridership is expected to increase nearly 12% over 1997 levels, commensurate with the projected increase in the number of vans in service by the end of 1998. Expenses are projected to increase 12.6% while revenue is expected to grow at 14.5% over 1997 estimated levels.

Pace's successful Vanpool Incentive Program (VIP) element offers commuters a transit alternative in the suburban market

Pace's vanpool program is comprised of two elements: the Vanpool Incentive Program (VIP) and ADvAntage, both of which are detailed below.

The budget for the total vanpool program is summarized on the following table. A chart showing the fare structure is also presented on the following page. Fares are dependent upon trip length and number of riders.

TABLE 16. VANPOOL BUDGET (000'S)

	1996 Actual	1997 Estimate	1998 Budget
REVENUE			
VIP	$ 992	$ 1,213	$ 1,387
ADvAntage	248	306	353
Total Revenue	$ 1,240	$ 1,519	$ 1,740
EXPENSE			
VIP	$ 881	$ 1,214	$ 1,338
ADvAntage	293	427	509
Total Expenses	$ 1,174	$ 1,641	$ 1,847
Funding Requirement	$ (66)	$ 122	$ 107
RECOVERY RATE			
VIP	112.6%	99.9%	103.7%
ADvAntage	84.6%	71.7%	69.4%
Total Recovery Rate	105.6%	92.6%	94.2%
RIDERSHIP			
VIP	773	911	995
ADvAntage	193	361	426
Total Ridership	966	1,272	1,421
Vans in Service (year-end) - VIP	180	201	222
Vans in Service (year-end) - ADvAntage	65	80	88
Total Vans in Service	245	281	310

Vanpool Incentive Program (VIP)

The VIP Program is the core element of the program and is projected to achieve a ridership level of 995,000 with 222 vans in service by the end of 1998. The 1998 budgeted revenue and expenses are projected to increase a respective 14% and 10% over 1997 levels. A fare increase has been implemented for the first time since the inception of the vanpool program in the fall of 1991. Fares are scheduled to increase 4% on January 1, 1998. As in previous years, the recovery performance is expected to meet the 100% mark, offsetting the lower rate expected from the ADvAntage element.

Another phase of the VIP program is the Corporate Shuttle Program which began in 1995. This program provides vans to suburban employers to shuttle employees to and from nearby transit connections with CTA, Metra and Pace facilities. Thus far, there are twenty-six vans operating under this program and Pace expects more interest as employers are made aware of this program.

ADvAntage Program

In 1994, Pace expanded the vanpool program to include the ADvAntage element. ADvAntage is intended to provide a transit alternative to individuals with disabilities that commute on a regular basis to work sites or rehabilitative workshops. It is an alternative to those unable to use the regular ADA paratransit service or those living outside the 3/4 mile service area. In 1998, ADvAntage program ridership will increase 18% and the number of vans in service will rise to 88 by year-end. The recovery rate for the ADvAntage program reaches 69.4%.

1998 Goals

1998 goals for the entire Vanpool Program include carrying 1,421,000 passengers at a 94.2% recovery rate and increasing the number of vans in service to 310 by the end of 1998.

The ADvAntage program has grown rapidly since implemented in 1994, with continued growth expected in the coming year.

Chart N. New Vanpool Fare Schedule with Approximate 4% Increase (All Areas)

Daily Round Trip Van Miles	4 Pass*	5 Pass*	6 Pass*	7 Pass*	8 Pass*	9 Pass*	10 Pass*	11 Pass*	12 Pass*	13 Pass*	14 Pass*
1-20 Miles	$ 82	$ 75	$ 69	$ 64	$ 57	$ 50	$ 47	$ 47	$ 47	$ 47	$ 47
21-30 Miles	$ 86	$ 79	$ 73	$ 70	$ 61	$ 54	$ 49	$ 47	$ 47	$ 47	$ 47
31-40 Miles	$ 90	$ 83	$ 77	$ 75	$ 66	$ 58	$ 52	$ 48	$ 47	$ 47	$ 47
41-50 Miles	$ 95	$ 87	$ 81	$ 79	$ 69	$ 61	$ 55	$ 50	$ 47	$ 47	$ 47
51-60 Miles	$ 99	$ 92	$ 85	$ 83	$ 73	$ 64	$ 58	$ 53	$ 49	$ 47	$ 47
61-70 Miles	$103	$ 96	$ 89	$ 86	$ 76	$ 68	$ 60	$ 55	$ 51	$ 47	$ 47
71-80 Miles	$107	$100	$ 94	$ 90	$ 79	$ 70	$ 63	$ 57	$ 53	$ 49	$ 47
81-90 Miles	$110	$103	$ 97	$ 94	$ 82	$ 73	$ 66	$ 59	$ 54	$ 50	$ 47
91-100 Miles	$113	$106	$100	$ 97	$ 84	$ 75	$ 68	$ 61	$ 56	$ 52	$ 48
101-110 Miles	$116	$109	$103	$ 99	$ 86	$ 77	$ 70	$ 63	$ 58	$ 53	$ 50
111-120 Miles	$120	$112	$106	$101	$ 88	$ 79	$ 71	$ 64	$ 59	$ 54	$ 51
121-130 Miles	$123	$115	$109	$103	$ 90	$ 81	$ 72	$ 66	$ 60	$ 55	$ 52
131-140 Miles	$126	$119	$112	$106	$ 94	$ 84	$ 75	$ 69	$ 63	$ 58	$ 55
141-150 Miles	$129	$122	$115	$109	$ 97	$ 87	$ 78	$ 72	$ 67	$ 61	$ 58

** The van driver is excluded from this passenger/van count*

1998 CMAQ SERVICE PROGRAM

In June, 1996, Pace received a Federal Congestion Mitigation/Air Quality (CMAQ) program award to cover the costs associated with the start-up and implementation of several new services in the Pace six county region. Upon receipt of this award, Pace immediately began implementing several of the proposed services. Implementation of the program will continue throughout 1997 and 1998, with all service elements to be in operation by the end of the third quarter of 1998. The CMAQ funded program will provide $3.0 million in service in 1998, will generate an estimated 507,000 riders and produce $734,000 in revenue.

The CMAQ program is comprised of both fixed route and express bus new initiatives titled the Fast Plus Bus Service element and the Express Bus Demonstration element, respectively. Both elements are briefly summarized on the following page. The 1998 budget for this program is also highlighted in the table below.

Table 17. Budget Summary—CMAQ Services (000's)

	1996* Actual	1997 Estimate	1998 Budget
Revenue	$ 70	$ 540	$ 734
Expenses	713	2,281	3,014
Funding Requirement	$ 643	$ 1,741	$ 2,280
Recovery Ratio	9.75%	23.67%	24.34%
Ridership	47	356	507

**No service operated prior to July, 1996.*

1998 Goals

The goals for this program in 1998 include full implementation of the remaining service elements funded by the grant, producing 507,000 riders for Pace and achieving a 24.34% recovery ratio.

PROGRAM DESCRIPTION

- Fast Plus Bus Service

North Central—A supplemental bus service that provides service to and from each train station along the new North Central Metra Line during times when no train service is available.

Hodgkins Service Connections—A start-up service which connects the new United Parcel facility in Hodgkins with the CTA rapid transit service at Midway on the Orange Line and Pace's Homewood park-n-ride.

Huntley and LaFox Metra Route Extensions—A shuttle-type service linking park-n-ride lots in these two areas with nearby Metra lines. The effort here will be to link commuters to rail lines until future Metra stations are built.

- Express Bus Demonstrations

Joliet-Naperville—A rush hour service targeted toward residents in central and north Will County that work in Naperville/Warrenville.

Elgin-Schaumburg—A weekday rush hour service targeted toward residents of the Elgin area who need transportation to the employment centers in Schaumburg and Hoffman Estates.

Waukegan to Lake-Cook Road—A rush hour service targeted toward connecting residential areas of northern Lake County with the employment centers along Lake-Cook Road.

Rosemont CTA Station to Lake-Cook Road—A rush hour service between the Rosemont CTA station and Lake-Cook Road linking passengers from the Northwest side of Chicago and O'Hare Airport.

Chicago to Suburban Employment Markets—Multiple subscription bus routes serving the reverse commute markets from Chicago to suburban employment areas.

Pace has initiated successful new reverse commute routes in cooperation with Suburban Job Link, a not-for-profit, city based employment firm. These routes carry over 8,000 passengers a month at a recovery rate of nearly 70%. Pace is also working with United Airlines to implement new services to their suburban locations which serve the dual purpose of reducing congestion and improving employment access as one of Pace's Welfare-to-Work initiatives.

CMAQ funds are being used to provide service to the new United Parcel facility in Hodgkins.

1998 CENTRALIZED SUPPORT BUDGET

The 1998 centralized support budget of $16.2 million provides for a total support staff of 84 positions in the bus operations, maintenance, materials management and facility maintenance areas. The budget also includes expenses relating to the procurement of commonly used goods and services by all Pace carriers, including fuel. New in 1998, in an effort to centralize the maintenance and upkeep of all garages and facilities owned and operated in the six county region, Pace has now established a central staff to oversee this function. The staffing requirements for this new duty were accommodated through the redirection of existing positions from within the total Pace budget.

In 1997, centralized support expense is estimated to end the year 1.5% below 1996 levels. Costs are estimated to decline in 1997 as a direct result of the drop in fuel prices. Fuel costs in 1997 are running significantly below 1996 levels.

The 1998 centralized support budget represents a 4.1% increase over the 1997 estimate. Contributing to this growth are rising fuel costs resulting from increased fuel volume as more private contractors are added to Pace's fuel program. The offset to adding volume to the fuel budget comes in the form of lower contract renewal rates for private contracted services.

Looking at the individual components of the central support budget, operations expense will remain essentially flat compared to 1997 levels. The operations area will include 38 positions that will provide support to all operating areas at Pace. This represents a decline of 3 positions which were redirected to other areas within the total Pace budget for 1998.

The maintenance area is comprised of 42 positions and include both maintenance and materials management personnel. Total maintenance expense is projected to grow 3.6% over 1997 levels. Most of this increase is attributed to rising fuel expense which, as noted, is increasing due to both inflation and volume growth.

Non-vehicle maintenance expenses are expected to grow 53.8% over 1997 levels due solely to the transfer/addition of facility maintenance positions to this area/budget. Four positions are included in the budget for this area in 1998.

The administration portion of the centralized support budget is comprised of numerous items including marketing, revenue collection, farebox maintenance, liability insurance and Pace's acceptance facility. Increased farebox maintenance costs associated with implementation of the new farebox features that accept the stored value transit card are contributing to this area's expense growth in excess of the rate of inflation.

1998 Goals

1998 budgetary goals for centralized support include limiting costs to a growth rate of 4.1% and maintaining a staffing level of 84 positions.

Further detail of the following table is provided in Appendix A.

Table 18. Centralized Support Budget (000's)

	1996 Actual	1997 Estimate	1998 Budget
Operations	$ 1,913	$ 1,869	$ 1,875
Maintenance (includes fuel)	7,005	6,462	6,694
Non-Vehicle Maintenance	225	290	446
Administration (includes insurance)	6,706	6,993	7,240
Total	$ 15,849	$ 15,614	$ 16,255

1998 ADMINISTRATIVE BUDGET

The 1998 administrative budget provides for 154 positions at an estimated total cost of $11.2 million. Pace administration is responsible for managing all of the agency's administrative responsibilities, including accounting, financial and capital assistance programs, marketing, information systems, legal services and risk management. The administrative staffing level for 1998 reflects an increase of two positions in order to accommodate increased work requirements in the MIS department to maintain the new computerized stored value farebox system. These positions were accommodated through the transfer of existing positions from other areas within Pace.

Pace Headquarters Facility in Arlington Heights.

The following table summarizes the two major categories of the administrative budget: Non-Vehicle Maintenance which represents headquarters facility operations expenses, and the Administration category. Administrative costs include labor, parts and supplies, and other expenses.

In 1997, administrative expense is estimated to end the year at $139,000, or 1.3% over 1996 levels. Pace's 1998 administrative budget represents a 4.8% increase over the 1997 estimate.

Non-vehicle maintenance expense is budgeted to grow at the 2.9% inflation rate.

Labor and fringe benefit costs will grow at 4.3%. Contributing to this growth are rising health care costs which are exceeding inflationary levels, as well as the costs for the added staff requirements.

Parts and supply expenditures will increase 1.5%, while utilities are expected to grow at 2.6% over estimated 1997 levels. The "Other" category consists of the remaining expenses which are further separated into Support and Service expenditures. These expenses will increase 6.4% over the 1997 estimate. The growth exceeds the inflation rate of 2.9% due largely to added costs associated with the implementation of new computerized systems, including the automated farebox system which accepts and reads the new stored value card.

1998 Goals

1998 budgetary goals for administration include limiting expense growth to 4.8% and maintaining a staffing level of 154 positions.

Further detail on the administrative budget is provided in Appendix A.

Table 19. Administrative Budget (000's)

	1996 Actual	1997 Estimate	1998 Budget
Non-Vehicle Maintenance	$ 113	$ 137	$ 141
General Administration			
Labor/Fringe benefits	6,938	7,147	7,458
Parts/Supplies	273	307	312
Utilities	145	153	157
Other	3,074	2,938	3,126
Total	$ 10,543	$ 10,682	$ 11,194

ORGANIZATIONAL OVERVIEW

The Pace organization is comprised of three primary elements: administration, central support, and Pace-Owned divisions. Within each element, employees are classified into four activity areas of operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the Federal Transit Administration's Section 15 reporting requirements which apply to all public transit operators. Since the latter half of 1996, Pace has implemented new CMAQ-funded services which requires additional personnel (shown as a fourth element on Table 20).

The administration element for 1998 is budgeted at 154 filled full-time equivalents (FTE's), representing an increase of two FTE's from 1997. This increase is attributed to the movement of two vacant positions coming from central support which were used to accommodate support for new or expanded computer systems, including the new automated stored value card system. Due to budgetary constraints for the past two years, Pace has accommodated new staffing needs by redirecting existing positions, whenever possible.

The administration is located at the Arlington Heights facility and is comprised of the functional areas which report to the Executive Director and the Deputy Executive Director of Planning and Administration as indicated on the Organization Chart on page 45.

Central support is comprised of the functional areas, operations and maintenance, that report to the Deputy Executive Director of Operations. The material management and central facility maintenance functions are also included within this area on the organization chart.

The central support element is budgeted at 84 filled FTE positions for 1998 and reflects no increase from 1997 estimated levels. However, there has been movement among the activity areas. Most notably, a centralized facility maintenance function has been established with staffing needs being met with redirection of existing positions.

The Pace division element is comprised of nine Pace division garages and is budgeted at 1,057 filled FTE positions for 1998, the decline of 3 positions reflects movement between various areas. The Pace divisions which are located throughout the region (reference Map 4, page 9) report to the Deputy Executive Director of Operations who, in turn, reports to the Executive Director as indicated on the organization chart.

The CMAQ element is budgeted at 38 filled FTE positions for 1998. The increase of 5 positions is due to planned service expansion with implementation of all services in place by year end 1998.

Table 20. Full-Time Equivalent Personnel (FTE's)

1996 ACTUAL

Activity / Area:	Administration	Central Support	Pace Divisions	CMAQ	Total
Operations	0	41	808	26	875
Maintenance	0	43	200	7	250
Non-Vehicle Maintenance	0	0	15	0	15
Administration	148	0	37	0	185
Total	148	84	1,060	33	1,325

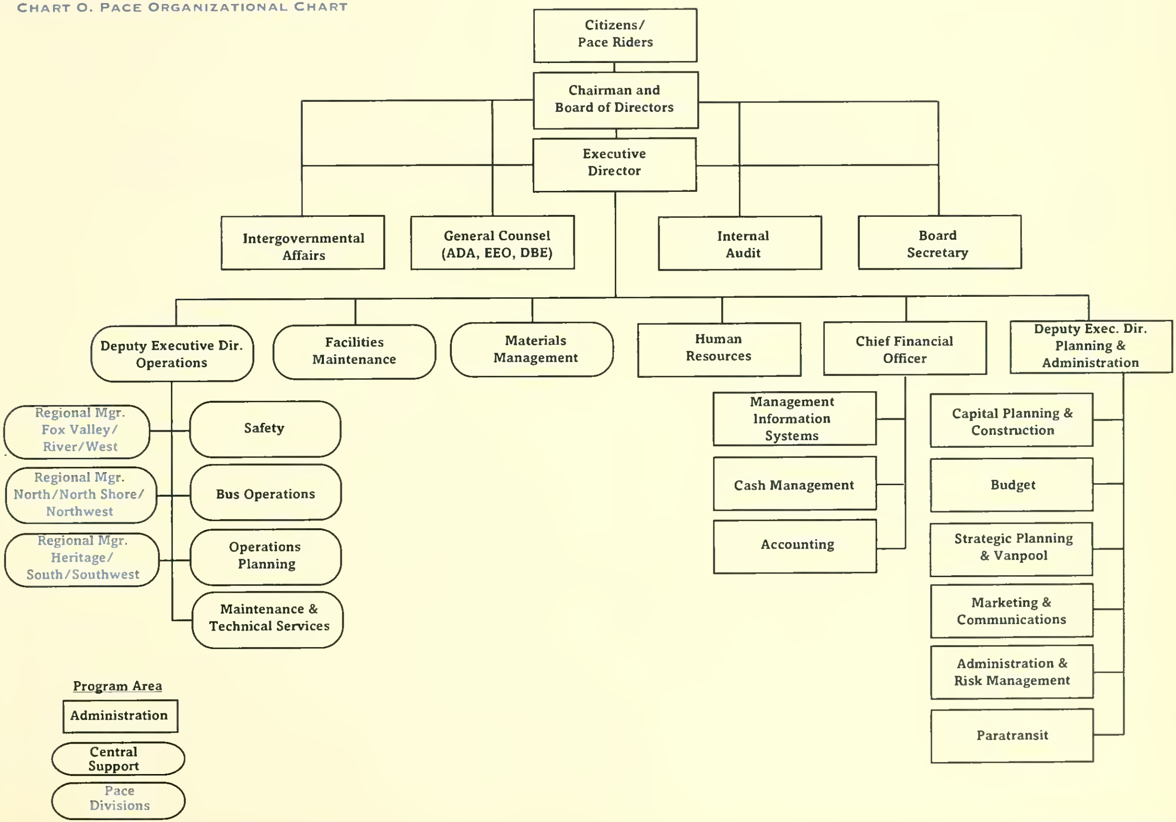
1997 ESTIMATED

Activity / Area:	Administration	Central Support	Pace Divisions	CMAQ	Total
Operations	0	41	808	26	875
Maintenance	0	43	200	7	250
Non-Vehicle Maintenance	0	0	15	0	15
Administration	152	0	37	0	189
Total	152	84	1,060	33	1,329

1998 BUDGET

Activity / Area:	Administration	Central Support	Pace Divisions	CMAQ	Total
Operations	0	38	808	31	877
Maintenance	0	42	197	7	246
Non-Vehicle Maintenance	0	4	15	0	19
Administration	154	0	37	0	191
Total	154	84	1,057	38	1,333

Chart O. Pace Organizational Chart



1998 Capital Program Budget

SUMMARY

The 1998 capital program totals $20.6 million for the existing Pace system. The Regional Transportation Authority (RTA), the Federal Transit Administration (FTA), and the Illinois Department of Transportation (IDOT) are expected to provide $20.2 million while Pace will commit $.4 million from its own funds.

The program contains $10.6 million for the replacement of 27 paratransit buses, and 133 vanpool vehicles, extended warranties for the paratransit vehicles, bus overhaul/maintenance expenses and associated capital.

Electrical/signal/communications in the amount of $80,000 will go to replace two UHF repeater systems for Pace's paratransit operations.

Support facilities and equipment totaling $7.0 million are included in the 1998 program. Highlights include the construction of a paratransit garage in DuPage County, improvements to garages, project completion funding for the headquarters building, purchase of garage tools, computer and office equipment, and replacing and expanding its Automatic Passenger Counting System. Additionally, $1.5 million is programmed for contingencies and administration.

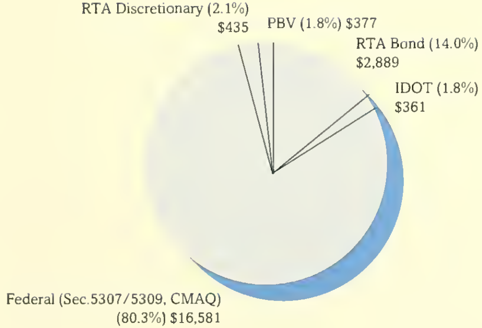
Stations and passenger facilities totaling $1.4 million are included in the 1998 program for the construction of a park-n-ride facility in Hillside and continuation funding for our ad and regular shelter programs.

TABLE 21. 1998 CAPITAL PROGRAM (000'S)

	Amount
Rolling Stock	$ 10,570
Electrical/Signal/Communications	80
Support Facilities and Equipment/Other	7,021
Stations and Passenger Facilities	1,443
Contingencies/Project Administration	1,529
Grand Total	$ 20,643

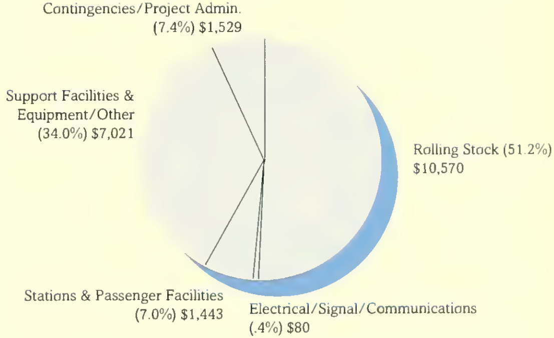
Chart P. 1998 Capital Program

Sources (000's) Total $20,643



Over 80% of Pace's program is funded with Federal funds

Uses (000's) Total $20,643



Major facus of the 1998 pragram will be an replacing and upgrading garages and suppart facilities and replacing its rolling stack

CAPITAL FUNDING SOURCES

Funding Sources

Each year the RTA issues the preliminary capital program marks to guide the development of the upcoming fiscal year's capital program. The proposed capital program marks assume the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). The preliminary marks are subject to change later in the year once the federal government releases its federal allocation and once RTA finalizes how much will be available from RTA discretionary funding, IDOT bond funding and federal CMAQ funding.

It is important to point out that the Region continues to fail at securing a new RTA bond authority. This has serious impacts on funding Pace's capital needs, especially starting in 1999 when our fleet replacement program begins. It is for this reason that Pace will carry over a portion of its 1998 federal funding until 1999 for the replacement of its fixed route buses.

Federal Funding

Presently federal capital funds are allocated 58% to CTA, 34% to Metra and 8% to Pace. This percentage basis allocation has been in place since 1985 and has contributed greatly to Pace's success in obtaining capital funds. There are three federal sources projected for 1998-2002. These include: (1) discretionary funds, formerly known as Section 3 funds, (changed to Section 5309), which Pace is eligible to receive for bus procurements; (2) apportionment funds, formerly known as Section 9 funds, (changed to Section 5307) which Pace uses for its overall capital needs; and (3) flexible funds such as Surface Transportation Funds (STP) and Congestion Mitigation and Air Quality (CMAQ) funds which are available for use in specified transit projects like Pace's vanpool program. The 1998 funding levels issued by the RTA are based on the proposed House Appropriations level and are subject to conference committee and final congressional action.

The combined funding for Section 9/5307 and 3/5309 (rail modernization) funds are the only funds which are allocated to the Service Boards on the percentage basis allocation. Section 3/5309 (Discretionary Bus) and CMAQ funds which Pace competes for are not subject to the allocation by the RTA, although the marks reflect Pace's efforts at securing a portion of the statewide earmark. Therefore, at the present time Pace does not know how much Section 3/5309 or CMAQ funds it will receive, therefore, assumptions have been made as to how

In 1994, Pace undertook a major renovation project at Northwest Division in Des Plaines (above).

much Pace expects to receive. Failure to secure these funding levels will have a serious effect on its 1998 capital program and projects may be cut accordingly. Pace assumes that Section 3/5309 will be used to replace 19 paratransit buses. If Pace does not receive what it needs, these paratransit buses will have to be shifted to the regular Section 9/5307 program as a high priority project.

The Federal CMAQ Program has not been reauthorized to date. While we are anticipating that Congress will pass a new program, serious financial impacts will be felt if this bill is not passed. Specifically, the vanpool expansion vehicles for $1.8 million will have to be deferred.

State Funding

The State of Illinois each year makes two types of funding available. One is IDOT "B" Bonds and the other is General Revenue Funds (GRF) which are typically used for non-bondable items. The State legislature did authorize the "B" bond program for FY98 late in the 1997 veto session, and RTA has projected figures for 1998-2002 assuming current funding levels. Additionally, Pace does not know whether GRF funds will be available since IDOT will not make any commitments until very late in the budget process. Pace will not be eligible for "B" Bonds in 1998 since it is deferring the purchase of fixed route buses until 1999. However, the program does assume that GRF funds will be available to match the paratransit buses.

RTA Funding

The RTA funding sources include bond/SCIP and discretionary funds. Since Pace has programmed its entire allocation of RTA bond funds, no new funding will be available in 1998. Rather, the amount we are anticipating comes from funds we have deobligated from prior years' grants. The RTA assumes that the discretionary program will continue through the year 2002. The use of discretionary funds will match the federal program. The discretionary funds have been allocated by RTA based on the traditional split of 58% CTA, 34% Metra and 8% Pace. Based on this, Pace expects to receive $.375 million in new discretionary funds. RTA has informed us that this number is only an estimate and may be subject to change at a later date. Pace will have a serious budget problem if this amount is significantly reduced. Lastly, RTA will make available interest income they anticipate to receive from bond investments. These funds are allocated 50% CTA, 45% Metra, and 5% Pace. Based on this, Pace expects to receive $.5 million.

Pace PBV Funds

Each year Pace is required to use some portion of its own funds to meet its capital needs. An assessment of available funds for capital purposes will be necessary. Due to the shortage of non-bondable funding, $.4 million is necessary to match the federal program, for extended warranties and for unanticipated capital items which are not programmed and must be purchased during the year for emergencies.

1998 CAPITAL PROGRAM DESCRIPTION

In accordance with estimated funding levels, Pace's 1998 annual program totals $20.6 million. Approximately, $10.6 million will be spent on rolling stock and related items with the remainder going to support facilities and equipment. Table 22 depicts the program detail.

ROLLING STOCK ($10.6 MILLION)

• Fixed Route ($0). The program does not contain funds for the purchase of fixed route buses this year. Due to the significant shortage in funding starting in 1999, Pace plans to reserve funding available in 1998 for carryover into 1999 in order to maximize the amount of funding needed for the replacement of fixed route buses starting in 1999. This carryover totals $8.2 million.

• Paratransit ($1.8 million). The program includes the purchase of 27 paratransit buses which are all replacements.

• Vanpool ($3.8 million). The program contains the purchase of 133 vans, 62 are expansion vans, 12 with lifts and 71 are replacement vans. Pace's Vanpool Incentive Program has been very successful and growing steadily since its inception in 1991. Additional vans are needed to meet the growing demand and to replace vans which have exceeded their useful life. We are assuming that the CMAQ program will be reauthorized to pay for the expansion vanpool vehicles at 100%. If Pace does not secure CMAQ funding, the expansion vehicles will have to be deferred.

• Extended Warranties ($.12 million). The program contains funds to extend the warranty on the paratransit buses beyond what is offered under a standard warranty.

• Associated Capital ($3.0 million) and Bus Overhaul/Maintenance Expense ($1.9 million). The program contains funds for replacement of engines, transmissions, etc., for fixed route and paratransit vehicles. Additionally, due to a change last year in the Federal Section 9/5307 Program, FTA will now reimburse Pace for up to 20% of its annual operating expenses that it spends on maintenance of its fleet. Charging these expenses to the capital program will reduce its operating expenses.

Operating Cost Impacts

In general, Pace will avoid operating cost increases by replacing outdated equipment. In 1997, Pace will undertake a fixed route bus study. This study will assess the condition of our vehicles and identify replacement strategies for vehicles which have exceeded their useful life. The study will further assess which vehicles may be candidates for life extension or bus rebuilding/remanufacturing. The study results are critical to the final plan development of a sound plan for replacing our fixed route buses in light of anticipated funding shortfalls.

ELECTRICAL/SIGNAL/ COMMUNICATIONS ($80,000)

The program contains the purchase of two paratransit radio repeater systems. Pace has been experiencing major communication problems with its existing system which is eight years old.

Operating Cost Impacts

No significant cost impacts are anticipated due to the purchase of this equipment.

SUPPORT FACILITIES/EQUIPMENT ($7.0 MILLION)

• DuPage County Paratransit Garage ($3.0 million). The program contains funds for the purchase of property, engineering and construction of a new paratransit garage in DuPage County. This facility will accommodate bus storage, maintenance and administration offices for 50 paratransit buses.

• Pace Administrative Headquarters Facility ($.5 million). Design and Engineering is currently underway. This project involves project completion funds to cover costs associated with moving, refurbishing existing equipment and furniture, demolition, etc.

In 1996, Pace constructed bus stop improvements at each station along the new Metra North Central service. Depicted here are improvements at the Round Lake Beach station.

• Improvements to Garages/Facilities ($.2 million). The program contains funds to continue to upgrade and preserve its existing garages and facilities. These items include roof replacement at the Elgin terminal, upgrades to security systems, HVAC upgrades, etc.

• Maintenance Equipment/Support Equipment ($.8 million). The program contains funds to purchase miscellaneous tools and support equipment for Pace's operating garages.

• Office Equipment/Furniture ($.3 million). The program contains funds to purchase miscellaneous office equipment and furniture and replacement of a printing press.

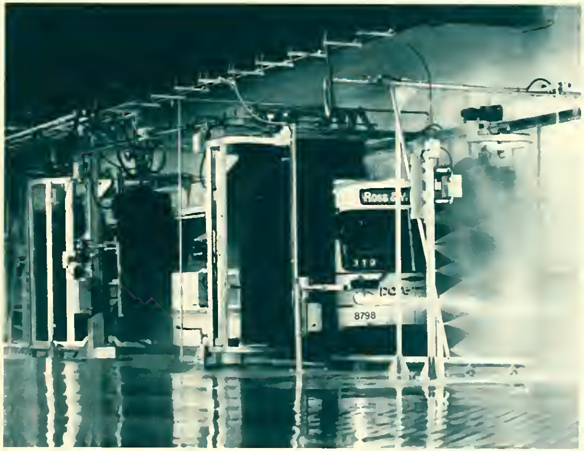
• Computer Equipment ($.8 million). The program contains funds to purchase computer hardware and software for garages and headquarters.

• Automatic Passenger Counting (APC) Data Collection System ($1.1 million). The program contains funds for the replacement of the current APC and Data Collection System which was purchased in 1986. The APC system is used for collecting transit data (i.e., schedule adherence, speed, passengers per mile/hour, ridership, etc.). In addition to the 75 replacement units, 45 are for expansion.

• Unanticipated Capital ($.3 million). The program contains funds from Pace's PBV for unanticipated capital items which may be necessary in this budget year.

Operating Cost Impacts

Based on costs benefit analysis, it was determined that Pace can save operating expenses by constructing a new paratransit garage in DuPage County. Currently, Pace contracts with a private company to provide transit services in DuPage. The cost of services also includes lease costs for a facility. By constructing a facility for use by the private contractor, it can save on lease costs, fueling costs, etc. No significant cost impacts are anticipated due to the purchase of the other support equipment.


Pace recently replaced bus washing equipment in Markham, Melrose Park and Heritage.

Stations and Passenger Facilities/ Miscellaneous ($3.2 million)

• Park-N-Ride Lot in Hillside ($.5 million). The program contains funds to construct a new park-n-ride lot at Darmstadt and Wolf Roads, in Hillside. Pace currently is leasing a lot at West Point Mall and has exceeded the capacity of the leased premise. These funds will enable Pace to engineer and construct a new lot for approximately 50 cars. Approximately 40 cars are currently parking at the leased lot.

• Shelters/Display Cases ($.9 million). The program contains funds for the continuation of the ad shelter and regular bus shelter programs. In addition, it includes funds to purchase display cases which are placed on private property to display routes and schedule information.

• Contingencies/Administration ($1.5 million). The program contains funds for staff time spent on the administration of capital projects and contingencies.

Operating Cost Impacts

By constructing a permanent and expanded lot in Hillside, more passengers will be attracted to ride Pace bus service, whereby potentially increasing fare box revenue. The ad shelter program will have a favorable impact on operating revenue once the program is fully operational.

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Table 22. 1998 Capital Program (000's)		
Project Description		**Amount**
ROLLING STOCK		
Purchase 27 Replacement Paratransit Vehicles	$	1,755
Purchase 62 Expansion Vanpool Vehicles (12 with lifts)		1,820
Purchase 71 Replacement Vanpool Vehicles		1,988
Purchase Extended Warranties		122
Bus Overhaul/Maintenance Expense		1,885
Associated Capital		3,000
Subtotal Rolling Stock	$	10,570
ELECTRICAL/SIGNAL/COMMUNICATIONS		
Purchase 2 UHF Repeater Systems (Paratransit)	$	80
Subtotal Electrical/Signal/Communications	$	80
SUPPORT FACILITIES & EQUIPMENT		
DuPage County Paratransit Garage	$	3,000
Headquarters Facility - Project Completion		500
Improvements to Garages/Facilities		228
Maintenance/Support Equipment/Other		815
Office Equipment/Furniture/Printing Equip.		324
Computers/Databases/Computer Systems		824
APC and Data Collection System		1,080
Unanticipated Capital		250
Subtotal Support Facilities & Equipment	$	7,021
STATIONS & PASSENGER FACILITIES		
Construct Hillside Park-n-Ride	$	500
Ad Shelters		740
Shelters/Passenger Amenities		203
Subtotal Stations & Passenger Facilities	$	1,443
Contingencies & Project Administration	$	1,529
Grand Total	$	20,643

In 1997, at Northwest Division, Pace completed the removal of 7 underground storage tanks and replaced them with 1 underground and 3 above ground tanks (top). In 1997, Pace constructed a canopy at the fuel lanes at Pace Fox Valley to protect employees from the elements (bottom).

1998—2002 Capital Plan

ISSUES

The funding estimates as set forth by RTA will have a major financial impact on Pace. RTA is estimating that for the five-year period, 1998-2002, Pace will receive $129.4 million. Pace's needs for this same period totals $227.5, leaving a $98 1 shortfall. Table 23 shows Pace's needs verses the anticipated funding by year.

The RTA issued capital funding marks on September 11, 1997 by Board Ordinance 97-39. These funding marks assume the following:

• The 1998 funding for Federal 5307 and 5309 is based on the proposed House Appropriations level and is subject to conference committee and final congressional action. CMAQ funds are only allocated for 1998.

• The 1998-2002 allocation of future FTA discretionary and formula funds will be held constant at the 1998 levels.

• The IDOT Series B bond funds are based on the IDOT annual appropriation of $40.0 million each year.

• The RTA Bond Program is exhausted and, therefore, for 1998-2002, no additional funding is projected by the RTA, except that interest income derived from the bond program will be available in 1998 and 1999 only.

Due to the significant shortfall in funding, Pace is carrying over $8.2 million in 1998 federal Section 5307/9 funding to 1999 in order to have additional funding available for rolling stock replacement which will begin in 1999. Additionally, Pace will be forced to defer numerous projects and develop ways to extend the life of facilities and equipment.

Table 23. 1998-2002 Capital Funding Summary (000's)

	1998	1999	2000	2001	2002	Total
Total Needs	$ 20,643	$ 55,230	$ 48,950	$ 71,090	$ 31,620	$ 227,533
FUNDING						
Federal	$ 16,581	$ 28,910	$ 20,720	$ 20,720	$ 20,720	$ 107,651
IDOT	361	3,200	3,200	3,200	3,200	13,161
RTA Bond	2,889	250	0	0	0	3,139
RTA Discretionary	435	760	1,120	1,120	1,120	4,555
PBV	377	250	250	0	0	877
Total	$ 20,643	$ 33,370	$ 25,290	$ 25,040	$ 25,040	$ 129,383

1998—2002 UNCONSTRAINED CAPITAL NEEDS

Pace's unconstrained needs for the five year period 1998—2002 are depicted by asset category on Table 24. It is important to point out that the unconstrained needs contained in this table are for projects necessary to support Pace existing system. It does not include any expansion needs.

Rolling Stock

Pace needs $166.9 million to purchase rolling stock, remanufacture/rebuild fixed route buses and associated capital items. Table 25 depicts that 348 fixed route buses need to be replaced during the five-year period. However, funding will only be available for 146 vehicles. Therefore, 202 vehicles will need to operate beyond their normal useful life. This may require life extension repairs for some vehicles.

With regard to paratransit buses, 360 buses will need to be replaced during the five-year period. However, funding will only be available for 299 buses. Therefore, 61 vehicles will have to operate beyond their normal useful life. Unlike fixed route buses, these vehicles are van-type vehicles and the rebuilding of major component parts is generally not cost-effective. While these vehicles should be replaced every four years, this may not be possible.

Table 24. 1998-2002 Capital Plan–Unconstrained

	1998	1999	2000	2001	2002	Total 1998-2002
ROLLING STOCK						
Fixed Route Buses (348)	$ 0.0	$25.0	$19.5	$48.7	$ 0.0	$ 93.2
Paratransit Vehicles (360)	1.8	4.5	7.0	2.2	6.6	22.1
Vanpool Equipment (536)	3.8	2.7	2.7	2.5	2.3	14.0
Associated Capital/Maint. Expense	4.9	5.9	5.9	5.9	5.9	28.5
Bus Remanufacturing (100)/Other	0.1	2.2	2.3	2.2	2.3	9.1
Total	$10.6	$40.3	$37.4	$61.5	$17.1	$166.9
ELECTRICAL/SIGNAL/COMMUNICATIONS						
Systemwide Radio Sys./UHF Rep. Sys.	$ 0.1	$ 0.0	$ 0.0	$ 0.0	$ 5.0	$ 5.1
Total	$ 0.1	$ 0.0	$ 0.0	$ 0.0	$ 5.0	$ 5.1
SUPPORT FACILITIES & EQUIPMENT						
Const. DuPage County Paratransit Gar.	$ 3.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 3.0
Headquarters Fac. Project Completion	0.5	0.0	0.0	0.0	0.0	0.5
Improvements to Garages/Facilities	0.2	0.7	2.1	0.3	2.5	5.8
North Shore Garage Expansion	0.0	5.0	0.0	0.0	0.0	5.0
Facilities Environmental Compliance	0.0	0.1	0.1	0.1	0.1	0.4
Maintenance/Support Equipment	0.8	0.8	0.8	0.8	0.8	4 0
Office Equip./Fum./Print. Equip.	0.3	0.3	0.3	0.3	0.3	1.5
Computers/Databases/Comp. Systems	1.9	0.7	0.6	0.5	0.5	4.2
Unanticipated Capital	0.3	0.2	0.3	0.0	0.0	0.8
Total	$ 7.0	$ 7.8	$ 4.2	$ 2.0	$ 4 2	$25.2
STATIONS & PASSENGER FACILITIES						
Constr. Hillside Park-n-ride	$ 0.5	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.5
Fixed Facilities-Existing System	0.0	4.3	4 7	4.8	2.6	16.4
Bus Stop Improvements	0.0	0.8	0.8	0.8	0.8	3.2
Signs/Shelters/Passenger Amenities	0.9	1.0	0.9	1.0	0.9	4.7
Total	$ 1.4	$ 6.1	$ 6.4	$ 6.6	$ 4.3	$ 24.8
Contingencies/Project Administration	$ 1.5	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 5.5
Total	$ 1.5	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 5.5
Grand Total	$20.6	$55.2	$49.0	$71.1	$31.6	$227.5

TABLE 25. 1998-2002 ROLLING STOCK IMPACTS (UNITS)

	1998	1999	2000	2001	2002	Total
FIXED ROUTE BUSES (REPLACEMENT ONLY)						
Need	0	100	71	177	0	348
Funded	0	62	32	39	13	146
Unfunded	0	(38)	(39)	(138)	13	(202)
PARATRANSIT (REPLACEMENT ONLY)						
Need	27	70	116	45	102	360
Funded	27	70	72	55	75	299
Unfunded	0	0	(44)	10	(27)	(61)
VANPOOL (REPLACEMENT & EXPANSION)						
Need	133	107	106	100	90	536
Funded	133	85	80	80	80	458
Unfunded	0	(22)	(26)	(20)	(10)	(78)

Lastly, 536 vanpool vehicles are needed to keep the program going during the five-year period The program contains replacement and expansion vehicles since it is critical that the program grow to respond to demand. Based on the assumption that CMAQ funding will not continue, only 458 vehicles can be purchased leaving a shortfall of 78 vehicles. While these vehicles should be replaced every four years based on the standard useful life, this may not be possible; therefore, the replacement of these vehicles will have to be a priority simply because it is not cost effective to rebuild these vehicles to extend the life.

ELECTRICAL/SIGNAL/COMMUNICATIONS

Pace needs $5.1 million to purchase two repeater systems for the paratransit radio system and to replace the system wide fixed route radio system in 2002 after it exceeds its useful life.

SUPPORT FACILITIES AND EQUIPMENT

Pace needs $25.2 million to support its existing system. This includes construction of a DuPage County paratransit garage ($3.0 million), completion of the Pace headquarters project ($.5), general improvements to garages and passenger facilities ($5.8), expansion of North Shore garage in Evanston, should it be cost effective to take over CTA services, ($5.0), and environmental compliance activities, maintenance equipment, office computer and other miscellaneous equipment ($10.9).

A painted bus serves the Northwest Transportation Center in Schaumburg. These buses bring advertising revenue to the Pace system.

STATIONS AND PASSENGER FACILITIES

Pace needs $24.8 million to construct park-n-ride lots and passenger facilities to support its existing system consistent with Pace's Strategic Plan and Comprehensive Operating Plan. The needs for fixed facilities to support its existing system total more than $16.4 million and will likely have to be deferred due to the shortfall in funding.

The long-range capital plan for the agency will be seriously impacted if additional capital funding is not forthcoming. Pace's normal replacement of its fleet, and plans for park-n-ride lots, and transportation centers will remain unfunded based on anticipated funding levels.

1998-2002 CONSTRAINED CAPITAL NEEDS

As discussed in the Issues section, Pace's proposed Five-Year Capital Plan will be severely constrained. Each year, the RTA requires the Service Boards to prepare a constrained budget which ties to the estimated marks released by the RTA. Table 26 depicts the constrained budget which is severely reduced. Pace's Constrained Program focuses on the replacement of fixed route, paratransit and vanpool equipment as a program priority. These funding levels are not even adequate to support Pace's existing system. That is to say, that with the exception of three fixed facility projects, nearly 80% of the Program will be spent on rolling stock needs.

If funding levels are not equal to anticipated funding levels established by the RTA, further cuts will have to be made to the Program.

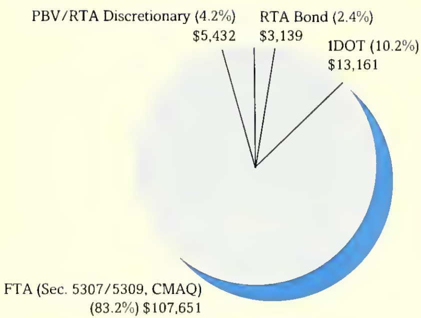
In 1997, Pace demalished the ald Travel Master's building to give way to construction of o new headquarters building in Arlington Heights.

Highlights of the Five-Year Capital Program include:

- Purchase of 146 accessible fixed route buses
- Purchase 299 paratransit buses
- Purchase 458 vanpool vehicles
- Remanufacturing or rebuilding of fixed route buses in order to extend vehicle life
- Construct a new paratransit garage in DuPage County
- North Shore garage expansion
- Construct a park and ride lot in Hillside
- Improvements to garages and other fixed facilities
- Bus stop improvements
- Maintenance/support equipment
- Associated capital/maintenance expense reimbursement
- Office equipment
- Computer equipment
- Signs and shelters/passenger amenities

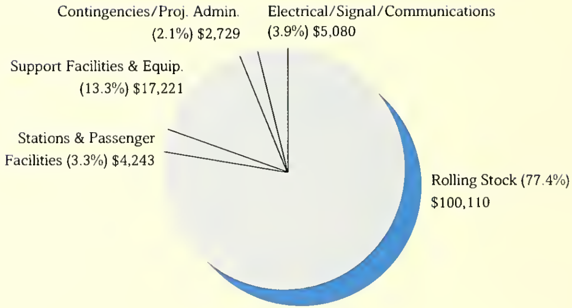
Chart Q. 1998–2002 Capital Program—Sources and Uses of Funds—constrained

Sources (000's) Total $129,383



More than 83% of Pace's Program is funded with Federal funds

Uses (000's) Total $129,383



Nearly 80% of Pace's Program is for the purchase of rolling stock

Table 26. Capital Program 1998–2002 (000's)—Constrained					
Project Description	**1998 Amount**	**Quantity**	**1999-2002 Total**	**Quantity**	**Total 1998-02**
ROLLING STOCK					
Purchase 146 Fixed Route Buses	$ 0		$ 40,140	146	$ 40,140
Purchase 299 Paratransit Vehicles	1,755	27	16,910	272	18,665
Purchase 458 Vanpool Vehicles	3,808	133	8,130	325	11,938
Associated Capital/Maint. Expense	4,885		15,600		20,485
Bus Remanufacturing/Rebuilding	122		8,760		8,882
Subtotal - Rolling Stock	$ 10,570		$ 89,540		$ 100,110
ELECTRICAL/SIGNAL/COMMUNICATIONS					
Purchase Systemwide Radio System/UHF Repeater Sys.	$ 80		$ 5,000		$ 5,080
Subtotal - Electrical/Signal/Communications	$ 80		$ 5,000		$ 5,080
SUPPORT FACILITIES AND EQUIPMENT					
Construct DuPage County Paratransit Garage	$ 3,000		$ 0		$ 3,000
Pace Headquarters Fac.-Project Completion	500		0		500
Improvements to Garages/Facilities	228		3,750		3,978
North Shore Garage Expansion	0		0		0
Facilities Environmental Compliance	0		400		400
Maintenance/Support Equipment	815		2,000		2,815
Office Equip./Furn./Print. Equip.	324		1,200		1,524
Computers/Databases/Comp. Systems	1,904		2,350		4,254
Unanticipated Capital	250		500		750
Subtotal-Support Facilities	$ 7,021		$ 10,200		$ 17,221
STATIONS & PASSENGER FACILITIES					
Constr. Hillside Park-n-ride	$ 500		$ 0		$ 500
Bus Stop Improvements	0		800		800
Signs/Shelters/Passenger Amenities	943		2,000		2,943
Subtotal-Stations & Passenger Facilities	$ 1,443		$ 2,800		$ 4,243
Contingencies/Project Administration	$ 1,529		$ 1,200		$ 2,729
Total Pace Program	$ 20,643		$ 108,740		$ 129,383

1998—2000 Financial Plan and Fund Balance

GENERAL

The following section presents Pace's financial plan and fund balance for 1998 through 2000. The amended RTA Act requires the Service Boards to submit such a plan in addition to their annual programs and budgets. The final plan is required to show a balance between the funding estimates provided by the RTA and the anticipated cost of providing services for the forthcoming and two following fiscal years. Pace's plan for 1998–2000 achieves this balance; however, it requires substantial reductions in operating expenses to do so.

As mentioned in the section on the 1998 operating budget, specific actions have been identified which will bring the budget to within final RTA funding levels for 1998. For outlying years 1999 and 2000, further expense adjustments or funding opportunities will need to be identified in order to operate within the RTA subsidy levels estimated for this future time period

Two major factors are affecting subsidy levels for Pace in future years. First, the RTA projection shows that the appropriation of Federal Operating Assistance will decline by over 50% in 1998 and be eliminated altogether in 1999. With the elimination of federal assistance, sales tax and Public Transportation Funds (PTF) will be the primary source of funds for Pace's operations beginning as early as 1999.

The second major factor affecting future subsidy funding is the method in which the RTA is allocating monies from the Public Transportation Fund (PTF). While the proposed distribution of PTF funds in 1998 reflects an increase over 1997, due to the loss from reduced federal funds, significant reductions are projected for both 1999 and 2000. The PTF allocation to Pace is projected to decline at an average rate of 18.8% between 1998 and 2000. Sales tax is expected to grow by 5.3% over the same period. By reducing PTF, the RTA has eliminated the growth in suburban sales tax revenue to Pace.

The impact of these two factors is requiring Pace to include required expense adjustments to the system in order to balance to the proposed RTA funding marks for the outlying years.

TABLE 27. RTA/WEFA BASELINE ECONOMIC ASSUMPTIONS

	1997	1998	1999	2000	Where Applied
CPI-U (National)	2.9%	2.9%	2.8%	2.8%	Note 1
CPI-U Medical Care	3.2%	3.8%	3.8%	3.8%	Note 2
T-Bill Rate (3 Month)	5.3%	5.1%	4.8%	4.8%	Investment Income 1997-2000
#2 Diesel % Change	-5.6%	-2.7%	3.2%	3.1%	Note 3

Note 1—The general inflation rate was used in all cases where a more specific rate of growth was not known or available. These rates were used more in the outlying years 1999 and 2000 as they are beyond the range of most current contractual agreements.

Note 2—Past experience has shown that health insurance costs have exceeded this index at an average of twice this general rate. For purposes of budget development, we used rates supplied to us by our health care administrator for 1997 and 1998. For outlying years 1999 and 2000, we assumed twice the rate provided by WEFA.

Note 3—WEFA fuel price estimates for 1997 are off from current actual prices (WEFA–$.582/gallon vs. actual year-to-date average–$.63/gallon). The estimates presented in this table were used to develop the fuel budget and are based on trends for 1997 and 1998. For outlying years 1999 and 2000, we assumed the WEFA inflation rate.

ASSUMPTIONS

The economic assumptions used to develop the budget have been provided by the WEFA Group, an economic consulting firm under contract with the RTA. However, Pace also subscribes to the Blue Chip Economic Indicator Report. This report provides a consensus of several key economic indicators—including inflation as measured by the consumer price index (CPI). The Blue Chip consensus estimate for inflation was used for 1997 and 1998. WEFA assumptions were used for outlying years and for the other categories. The key assumptions and their application used to develop the Pace three year plan are summarized on Table 27.

Numerous individual projections and assumptions are made in order to develop the annual budget and outlying year forecasts. In general, these estimates are based on the economic data shown on Table 27. The outcome of applying these assumptions to known or anticipated conditions for major expense categories is reflected on Table 28.

Pace's three year plan (Table 30) shows a balance between costs and the funding estimates identified for Pace by the RTA. Achieving this balance requires an increase in operating revenue of 2.2% in 1998, and 1.4% in both 1999 and 2000. A fare adjustment for vanpool (VIP) services is contributing to the revenue growth in 1998, along with the implementation of expanded CMAQ funded services.

On the expense side, growth is being restricted in 1998 in order to operate within the available funding levels for Pace. Expense growth will allow for the continuation of most base service at the maximum possible level. The 1998 expense budget will also provide for continued expansion of the vanpool and CMAQ funded service programs. Annual expenses will be restricted to grow at an annual compound rate of only 2.1% over the three year plan in order to comply with the funding projections provided by the RTA. In order to help balance funding requirements in 1998, Pace will also apply $1.885 million in capital funds for maintenance as allowed by the FTA. This source of funds is expected to remain constant throughout the three year plan at this time.

TABLE 28. MAJOR EXPENSE CATEGORY GROWTH OVER PRIOR YEAR

	1998	1999	2000
Labor/Fringes	2.7%	3.8%	3.9%
Parts/Supplies	5.2%	1.6%	1.6%
Utilities	1.8%	1.7%	2.0%
Fuel	5.9%	3.2%	3.1%
($/Gallon)	(.628)	(.648)	(.668)

FUND BALANCE

Since inception, Pace has been able to establish savings from its annual operating budgets by containing costs through good management. By the end of 1996, Pace had accumulated over $34 million in savings. The RTA has adopted a policy which allows the Service Boards to use accumulated savings for capital projects or one-time operating expenses. Between 1986 and 1996, Pace committed more than $32 million for capital projects funded out of this reserve and has used over $2 million to fund one-time operating expenses as noted in the table that follows.

In 1997, Pace expects to finish at budget. This will include the use of $70,000 to fund operating budget needs as well as $250,000 for capital projects from fund balance. During 1998, Pace has identified the need to use an additional $377,000 of fund balance to fund several capital projects. These planned expenditures will bring Pace's unrestricted fund balance below $.5 million by the end of 1998.

The following table identifies the capital and operating fund requirements by Pace from 1986 to 1997 and the proposed obligations for 1998. There are no proposed obligations beyond 1998. Note: Table 29 includes a line for capital funds that have been re-programmed from prior year commitments. These funds reflect the difference or savings between original programmed commitments and actual commitments. This difference is a credit back to fund balance and is available to be reprogrammed.

TABLE 29. CAPITAL AND OPERATIONS FUNDING PROVIDED VIA PACE FUND BALANCE (000'S)

	Capital	Operations
1986	$ 1,959	-
1987	$ 1,950	-
1988	$ 7,611	-
1989	$ 6,192	-
1990	$ 415	-
1991	$ 285	-
1992	$ 5,281	$ 2,240
1993	$ 1,113	$ -
1994	$ 2,101	$ -
1995	$ 331	$ -
1996	$ 4,930	$ 147
1997	$ 250	$ 70
1998	$ 377	$ -
Sub-Total	$ 32,795	$ 2,457
Reprogrammed from prior commitments	$ (1,619)	$ 0
Grand Total	$ 31,176	$ 2,457

Table 30. 1998-2000 Three Year Plan and Fund Balance (000's)

	1996 Actual	1997 Estimate	1998 Proposed	1999 Projected	2000 Projected
REVENUES					
Farebox	$ 31,588	$ 32,116	$ 32,491	$ 32,810	$ 33,130
Fare Reimbursement	1,470	1,504	1,504	1,504	1,504
Investment/Other	2,387	2,155	2,120	1,988	1,938
Advertising	1,202	1,095	1,145	1,200	1,282
Metra Special Service (P-8)	0	10	50	100	150
Vanpool	1,240	1,519	1,740	1,902	2,071
CMAQ	70	540	734	818	831
Total Revenue	$ 37,957	$ 38,939	$ 39,784	$ 40,322	$ 40,906
OPERATING EXPENSES					
Labor/Fringes	$ 57,966	$ 59,113	$ 60,627	$ 62,962	$ 65,407
Parts/Supplies	4,004	3,983	4,188	4,254	4,323
Other	7,664	7,632	8,168	8,396	8,631
Private Contract	9,324	9,253	9,361	9,623	9,892
DAR	8,499	8,734	9,063	9,317	9,577
ADA Paratransit	6,591	7,480	7,622	7,835	8,055
Metra Special Service (P-8)	0	20	100	200	300
Vanpool	1,174	1,641	1,847	1,975	2,267
CMAQ	713	2,281	3,014	3,401	3,503
Insurance	4,424	4,371	4,497	4,623	4,752
Fuel	3,510	3,141	3,327	3,433	3,540
Utilities	1,437	1,546	1,573	1,600	1,632
Service Adjustments	0	0	(337)	(346)	(356)
Expense Adjustments	0	0	0	(1,647)	(5,372)
Total Expenses	$ 105,306	$ 109,195	$ 113,050	$ 115,626	$ 116,151
Funding Requirement	$ 67,349	$ 70,256	$ 73,266	$ 75,304	$ 75,245
Recovery Ratio	36.04%	36.00%	35.79%	35.00%	35.00%
PUBLIC FUNDING					
RTA Operating	$ 66,578	$ 67,425	$ 69,100	$ 70,895	$ 72,703
Federal CMAQ Funding	571	1,741	2,281	2,524	657
Federal Capital Funding for Maintenance	0	1,020	1,885	1,885	1,885
Pace Funds	147	70	0	0	0
Total Public Funding	$ 67,296	$ 70,256	$ 73,266	$ 75,304	$ 75,245
Surplus/(Deficit)	$ (53)	$ 0	$ 0	$ 0	$ 0
FUND BALANCE					
Beginning Balance	$ 6,235	$ 1,093	$ 773	$ 396	$ 396
Less: Obligations/Other	5,089	320	377	0	0
Ending Balance	$ 1,093	$ 773	$ 396	$ 396	$ 396

FINANCIAL PLAN VARIANCE

Pace is required (by statute) to perform a comparison of its budget and Three Year Plan to the existing RTA Three Year Plan. Pace's 1998-2000 Three Year Plan varies from the RTA's existing Three Year Plan, adopted in December 1996 for the following reasons:

• The total funding requirement in 1998 has increased $2.050 million from the original plan as revenue is down $.157 million and operating expenses are up $1.893 million. Factors contributing to the decline in revenue include lower farebox and state reduced fare reimbursement revenues. The decline in farebox income is largely attributed to reduced estimates for expansion of the vanpool program and losses associated with Pace's acceptance of the CTA fare card. The decline in state reduced fare reimbursement revenues comes as a direct result of a change in the distribution of total regional funds. In 1996, Pace received a smaller share of the regional budget and the RTA has indicated that this trend will remain constant for 1997 and the outlying years of this plan. Income derived from investments and increased revenue generated from advertising activities is proposed to be higher than original plan estimates and, therefore, is mitigating some of the decline in operating revenue.

The total operating expense level in the current plan is $1.9 million higher than the prior plan. This is due to the fact that the prior plan was based on a near funding freeze from RTA and relied on $3.2 million in expense reductions to balance 1998. Now that RTA is providing a 2.5% funding increase for 1998, this funding growth can be used to maintain services and programs that would otherwise have to be cut back.

• Pace's 1998 recovery performance declines slightly under the new plan due to the combination of declining revenues and increasing expenses. However, the recovery ratio remains at 35% in accordance with Pace's strategic plan. Pace will not achieve the 36.3% called for in the prior plan as revenues are off (as previously explained) and expenses will not be frozen as assumed in the prior plan.

Most of the same factors stated above explain the increase in funding requirements for plan year 1999. Recovery performance for 1999 and 2000 is planned to be maintained at the 35% level

In addition to changes in the plan for funding requirements and recovery ratios, Pace will also increase the application of capital for maintenance funds to help balance the 1998 budget. The original plan called for using $1.020 million of these funds. The new plan applies $.865 million more of this money to a total of $1.885 million. This same level of funding is applied into the outlying years 1999 and 2000.

TABLE 31. 1998-2000 THREE YEAR FINANCIAL PLAN VARIANCE FROM EXISTING RTA PLAN (000'S)

	1998	1999	2000
Funding Requirement (All Sources)			
RTA Plan (1997-1999)	$71,216	$71,740	*
Pace Plan (1998-2000)	73,266	75,304	75,245
Variance	$ 2,050	$ 3,564	N/A
FAVORABLE/(UNFAVORABLE) CHANGES			
Revenue			
Farebox Changes (with CMAQ)	$ (202)	$ (281)	
Investment/Advertising	321	261	
Reduced Fare Reimbursement	(276)	(276)	
Total Changes in Revenue	$ (157)	$ (296)	
Total Changes in Expenses	$ 1,893	$ 3,268	
Total Change in Required Funding	$ 2,050	$ 3,564	
Recovery Ratio			
RTA Plan (1997-1999)	36.26%	36.48%	*
Pace Plan (1998-2000)	35.79%	35.00%	35.00%

** Note: The current RTA plan does not contain projected funding levels for FY 2000, thereby, eliminating comparability between plans. The current RTA plan (issued December 1996) identifies funding estimates for only 1997–1999.*

PACE CASH FLOW—1998

The following provides an estimate of Pace's revenues, expenses and cash position for operations on a monthly basis. Cash flow estimates for public operating funding are included in total revenues and are based on information provided by the RTA.

The amount of cash remaining at year-end will differ from Pace's projected 1998 fund balance as a result of timing differences in the disbursement of public funds from the RTA.

Capital grant expenditures are funded on a draw down basis from the grantors and are not held by Pace for more than a few days. They are, therefore, excluded from this cash flow.

TABLE 32. PROJECTED CASH FLOW*—1998 (000'S)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	$ 761	$ 9,081	$ 9,434	$ (353)	$ 408
February	408	9,026	9,435	(409)	(2)
March	(2)	10,647	9,437	1,210	1,208
April	1,208	8,597	9,438	(841)	367
May	367	8,783	9,440	(657)	(290)
June	(290)	9,164	9,441	(277)	(568)
July	(568)	9,506	9,443	63	(505)
August	(505)	9,698	9,444	254	(251)
September	(251)	9,800	9,445	355	103
October	103	9,481	9,447	34	137
November	137	9,241	9,448	(207)	(70)
December	(70)	9,269	9,448	(179)	(249)

** Excludes restricted fund cash reserves held for insurance claims and capital commitments, as well as payouts for capital obligations funded with positive budget variance (PBV).*

Conclusion

The 1998 operating and capital program and 1998—2000 financial plan and 1998—2002 capital plan as presented represents a comprehensive view of the entire Pace system and the issues it faces over the next several years. Immediate actions are identified to address the $1.9 million shortfall in RTA funding for 1998. Pace has made every effort to address this shortfall while minimizing the impact on our customers. Of the $1.9 million, approximately $.3 million of corrective actions will have a direct impact on customers. Pace will not be able to achieve an increased recovery rate as called for by RTA without raising fares. We will work with the RTA to avoid this.

The next several years are going to be extremely difficult from a financial standpoint as we face shortages in both operating and capital funding. Pace will do everything within its power to maximize its effectiveness within available resources. Ultimately, however, the level of service provided is a public policy decision reflected by the allocation of funds to Pace.

APPENDIX A

1996 ACTUAL RESULTS

1996 Actual Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$23,091,555	$ 664,027	$ 2,920,052	$ 1,168,035
Half-Fare Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Other	287,414	0	128,953	3,309,991
Total Revenue	$23,378,969	$ 664,027	$ 3,049,005	$ 4,478,026
OPERATING EXPENSES				
Operations				
Labor/Fringes	$34,482,006	$ 1,145,562	$ 0	$ 0
Parts/Supplies	54,804	2,045	0	0
Purchased Transportation/Other	110,663	14,475	9,324,196	7,259,832
Total Operations	$34,647,473	$ 1,162,082	$ 9,324,196	$ 7,259,832
Vehicle Maintenance				
Labor/Fringes	$ 8,876,134	$ 244,102	$ 0	$ 0
Parts/Supplies	2,372,357	79,640	0	0
Fuel	0	0	0	0
Other	103,151	46,268	0	480,759
Total Vehicle Maintenance	$11,351,642	$ 370,010	$ 0	$ 480,759
Non-Vehicle Maintenance				
Labor/Fringes	$ 610,754	$ 0	$ 0	$ 0
Parts/Supplies	320,761	0	0	0
Other	504,042	0	0	0
Total Non-Vehicle Maintenance	$ 1,435,557	$ 0	$ 0	$ 0
General Administration				
Labor/Fringes	$ 1,591,691	$ 175,724	$ 0	$ 0
Parts/Supplies	106,802	123	0	0
Utilities	1,291,542	824	0	0
Insurance	0	0	0	0
Other	525,959	(45,410)	0	757,641
Total Administration	$ 3,515,994	$ 131,261	$ 0	$ 757,641
Total Expenses	$50,950,666	$ 1,663,353	$ 9,324,196	$ 8,498,232
Funding Requirement	$27,571,697	$ 999,326	$ 6,275,191	$ 4,020,206
Recovery Ratio	45.89%	39.92%	32.70%	52.69%

ADA Paratransit Services	Vanpool	CMAQ	Centralized Support	Administration	1996 Actual Total
$ 434,706	$ 1,240,193	$ 69,519	$ 0	$ 0	$ 29,588,087
0	0	0	0	1,469,964	1,469,964
0	0	0	0	1,202,442	1,202,442
0	0	0	0	1,970,003	5,696,361
$ 434,706	$ 1,240,193	$ 69,519	$ 0	$ 4,642,409	$ 37,956,854
$ 0	$ 0	$ 713,213	$ 1,912,639	$ 0	$ 38,253,420
0	0	0	0	0	56,849
6,590,920	1,173,535	0	0	0	24,473,621
$ 6,590,920	$ 1,173,535	$ 713,213	$ 1,912,639	$ 0	$ 62,783,890
$ 0	$ 0	$ 0	$ 1,991,043	$ 0	$ 11,111,279
0	0	0	793,809	0	$ 3,245,806
0	0	0	3,510,100	0	3,510,100
0	0	0	709,899	0	1,340,077
$ 0	$ 0	$ 0	$ 7,004,851	$ 0	$ 19,207,262
$ 0	$ 0	$ 0	$ 0	$ 0	$ 610,754
0	0	0	0	0	320,761
0	0	0	225,851	112,674	842,567
$ 0	$ 0	$ 0	$ 225,851	$ 112,674	$ 1,774,082
$ 0	$ 0	$ 0	$ 0	$ 6,937,990	$ 8,705,405
0	0	0	0	273,481	380,406
0	0	0	0	144,619	1,436,985
0	0	0	4,424,499	0	4,424,499
0	0	0	2,282,200	3,073,767	6,594,157
$ 0	$ 0	$ 0	$ 6,706,699	$ 10,429,857	$ 21,541,452
$ 6,590,920	$ 1,173,535	$ 713,213	$ 15,850,040	$ 10,542,531	$ 105,306,686
$ 6,156,214	$ (66,658)	$ 643,694	$ 15,850,040	$ 5,900,122	$ 67,349,832
6.60%	105.68%	9.75%	0.00%	44.04%	36.04%

1997 Estimated Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$23,154,625	$ 679,092	$ 2,878,200	$ 1,073,371
Half-Fare Reimbursements	0	0	0	0
Advertising Revenue	0	0	0	0
Other	252,098	0	89,207	3,532,265
Total Revenue	$23,406,723	$ 679,092	$ 2,967,407	$ 4,605,636
OPERATING EXPENSES				
Operations				
Labor/Fringes	$35,318,114	$ 1,113,309	$ 0	$ 0
Parts/Supplies	44,797	1,752	0	0
Purchased Transportation/Other	180,273	12,553	9,252,903	7,374,988
Total Operations	$35,543,184	$ 1,127,614	$ 9,252,903	$ 7,374,988
Vehicle Maintenance				
Labor/Fringes	$ 8,795,597	$ 248,292	$ 0	$ 0
Parts/Supplies	2,307,001	88,491	0	0
Fuel	0	0	0	0
Other	113,661	38,101	0	562,602
Total Vehicle Maintenance	$11,216,259	$ 374,884	$ 0	$ 562,602
Non-Vehicle Maintenance				
Labor/Fringes	$ 696,279	$ 0	$ 0	$ 0
Parts/Supplies	221,906	0	0	0
Other	471,620	0	0	0
Total Non-Vehicle Maintenance	$ 1,389,805	$ 0	$ 0	$ 0
General Administration				
Labor/Fringes	$ 1,706,971	$ 177,361	$ 0	$ 0
Parts/Supplies	77,309	8	0	0
Utilities	1,393,000	97	0	0
Insurance	0	0	0	0
Other	480,109	2,856	0	796,416
Total Administration	$ 3,657,389	$ 180,322	$ 0	$ 796,416
Total Expenses	$51,806,637	$ 1,682,820	$ 9,252,903	$ 8,734,006
Funding Requirement	$28,399,914	$ 1,003,728	$ 6,285,496	$ 4,128,370
Recovery Ratio	45.18%	40.35%	32.07%	52.73%

ADA Paratransit Services	Metra Special Services	Vanpool	CMAQ	Centralized Support	Administration	1997 Estimated Total
$ 798,116	$ 10,000	$ 1,519,189	$ 539,979	$ 0	$ 0	$ 30,652,572
0	0	0	0	0	1,504,000	1,504,000
0	0	0	0	0	1,095,000	1,095,000
0	0	0	0	0	1,814,000	5,687,570
$ 798,116	$ 10,000	$ 1,519,189	$ 539,979	$ 0	$ 4,413,000	$ 38,939,142
$ 0	$ 0	$ 0	$ 2,280,808	$ 1,869,299	$ 0	$ 40,581,530
0	0	0	0	0	0	46,549
7,480,000	20,000	1,640,582	0	0	0	25,961,299
$ 7,480,000	$ 20,000	$ 1,640,582	$ 2,280,808	$ 1,869,299	$ 0	$ 66,589,378
$ 0	$ 0	$ 0	$ 0	$ 1,946,710	$ 0	$ 10,990,599
0	0	0	0	933,393	0	3,328,885
0	0	0	0	3,140,664	0	3,140,664
0	0	0	0	440,532	0	1,154,896
$ 0	$ 0	$ 0	$ 0	$ 6,461,299	$ 0	$ 18,615,044
$ 0	$ 0	$ 0	$ 0	$ 94,746	$ 0	$ 791,025
0	0	0	0	0	0	221,906
0	0	0	0	195,000	137,083	803,703
$ 0	$ 0	$ 0	$ 0	$ 289,746	$ 137,083	$ 1,816,634
$ 0	$ 0	$ 0	$ 0	$ 0	$ 7,146,897	$ 9,031,229
0	0	0	0	0	307,600	384,917
0	0	0	0	0	152,793	1,545,890
0	0	0	0	4,371,176	0	4,371,176
0	0	0	0	2,621,982	2,937,993	6,839,356
$ 0	$ 0	$ 0	$ 0	$ 6,993,158	$ 10,545,283	$ 22,172,568
$ 7,480,000	$ 20,000	$ 1,640,582	$ 2,280,808	$ 15,613,502	$ 10,682,366	$ 109,193,624
$ 6,681,884	$ 10,000	$ 121,393	$ 1,740,829	$ 15,613,502	$ 6,269,366	$ 70,254,482
10.67%	50.00%	92.60%	23.67%	0.00%	41.31%	36.00%

1998 Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$23,339,206	$ 679,092	$ 2,877,295	$ 1,080,399
Half-Fare Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Other	254,619	0	90,099	3,691,489
Total Revenue	$23,593,825	$ 679,092	$ 2,967,394	$ 4,771,888
OPERATING EXPENSES				
Operations				
Labor/Fringes	$36,311,356	$ 1,183,076	$ 0	$ 0
Parts/Supplies	51,888	1,300	0	0
Purchased Transportation/Other	199,598	14,111	9,360,850	7,721,492
Total Operations	$36,562,842	$ 1,198,487	$ 9,360,850	$ 7,721,492
VEHICLE MAINTENANCE				
Labor/Fringes	$ 8,771,195	$ 241,860	$ 0	$ 0
Parts/Supplies	2,428,096	85,295	0	0
Fuel	0	0	0	0
Other	125,777	38,907	0	550,735
Total Vehicle Maintenance	$11,325,068	$ 366,062	$ 0	$ 550,735
Non-Vehicle Maintenance				
Labor/Fringes	$ 756,425	$ 0	$ 0	$ 0
Parts/Supplies	254,135	0	0	0
Other	553,788	0	0	0
Total Non-Vehicle Maintenance	$ 1,564,348	$ 0	$ 0	$ 0
General Administration				
Labor/Fringes	$ 1,648,512	$ 168,379	$ 0	$ 0
Parts/Supplies	96,142	150	0	0
Utilities	1,415,072	500	0	0
Insurance	0	0	0	0
Other	582,745	2,165	0	790,545
Total Administration	$ 3,742,471	$ 171,194	$ 0	$ 790,545
Service Reductions				
Total Expenses	$53,194,729	$ 1,735,743	$ 9,360,850	$ 9,062,772
Funding Requirement	$29,600,904	$ 1,056,651	$ 6,393,456	$ 4,290,884
Recovery Ratio	44.35%	39.12%	31.70%	52.65%

ADA Paratransit Services	Metra Special Services	Vanpool	CMAQ	Centralized Support	Administration	1998 Budget Total
$ 824,150	$ 50,000	$ 1,739,508	$ 733,717	$ 0	$ 0	$ 31,323,367
0	0	0	0	0	1,504,000	1,504,000
0	0	0	0	0	1,145,370	1,145,370
0	0	0	0	0	1,775,339	5,811,546
$ 824,150	$ 50,000	$ 1,739,508	$ 733,717	$ 0	$ 4,424,709	$ 39,784,283
$ 0	$ 0	$ 0	$ 3,014,373	$ 1,874,572	$ 0	$ 42,383,377
0	0	0	0	0	0	53,188
7,621,850	100,000	1,847,335	0	0	0	26,865,236
$ 7,621,850	$ 100,000	$ 1,847,335	$ 3,014,373	$ 1,874,572	$ 0	$ 69,301,801
$ 0	$ 0	$ 0	$ 0	$ 1,966,839	$ 0	$ 10,979,894
0	0	0	0	958,395	0	3,471,786
0	0	0	0	3,326,757	0	3,326,757
0	0	0	0	441,748	0	1,157,167
$ 0	$ 0	$ 0	$ 0	$ 6,693,739	$ 0	$ 18,935,604
$ 0	$ 0	$ 0	$ 0	$ 247,625	$ 0	$ 1,004,050
0	0	0	0	0	0	254,135
0	0	0	0	$ 198,000	140,784	892,572
$ 0	$ 0	$ 0	$ 0	$ 445,625	$ 140,784	$ 2,150,757
$ 0	$ 0	$ 0	$ 0	$ 0	$ 7,457,591	$ 9,274,482
0	0	0	0	0	312,357	408,649
0	0	0	0	0	157,252	1,572,824
0	0	0	0	4,496,820	0	4,496,820
0	0	0	0	2,744,011	3,125,750	7,245,216
$ 0	$ 0	$ 0	$ 0	$ 7,240,831	$ 11,052,950	$ 22,997,991
						(337,000)
$ 7,621,850	$ 100,000	$ 1,847,335	$ 3,014,373	$ 16,254,767	$ 11,193,734	$ 113,049,153
$ 6,797,700	$ 50,000	$ 107,827	$ 2,280,656	$ 16,254,767	$ 6,769,025	$ 73,264,870
10.81%	50.00%	94.16%	24.34%	0.0.%	39 53%	35.79%

A P P E N D I X B

BUDGET PROCESS, BASIS AND DEBT

The RTA Act which governs Pace's existence contains specific language describing both the budget process and RTA review criteria.

The Budget Process

By September 15, the RTA is to advise Pace and the other Service Boards (CTA and Metra) of the amounts and timing for the provision of public funding via the RTA for the coming and two following fiscal years. At the same time, the RTA is to advise Pace, CTA and Metra of their required system generated recovery ratio for the coming fiscal year. In establishing the recovery ratio requirement, the RTA is to take into consideration the historical system generated recovery ratio for the services subject to each Service Board. The RTA is not to increase the recovery ratio for a Service Board disproportionately or prejudicially to increases in the ratio for the other Service Boards.

To facilitate the RTA action by September 15, Pace and the other Service Boards submit a draft budget and financial plan to the RTA for their review in August. The August submittal is not required by law but serves to improve the budget process by allowing the RTA to consider up-to-date forecasts and projections prior to making their September 15 decision on funding levels and recovery rate requirements.

By November 15, Pace is required to submit a budget proposal to the RTA for the coming fiscal year and a financial plan for the two following years which is consistent with the recovery ratio and funding marks established by the RTA in September.

Prior to submitting a budget and financial plan to the RTA, Pace is required to prepare and publish a comprehensive budget and program document (as represented by this document) and hold at least one public hearing on the budget in each of the six counties. Due to its large size, Pace typically holds three public hearings in Cook County. A schedule of the public hearings is contained in appendix C of this document. Public notice of the hearings is run in several widely distributed newspapers throughout the service area. In addition, Pace is to meet with each of the six county boards to review the proposed budget and program. Above and beyond these required meetings, Pace participates in numerous meetings of local government organizations and councils such as CATS (Chicago Area Transportation Study) and various transportation committees (TMA's, business chambers) to inform the public of the proposed budget and program. Over 2,000 copies of this proposed budget document are printed and distributed to elected officials, local governments, transportation interests, public libraries and citizens.

At the conclusion of these meetings and hearings, the Pace Board meets to evaluate the input gained, make recommendations for changes to the proposed budget as necessary, and then adopts a final program and budget by ordinance. This action is taken prior to the submittal of the budget and program to RTA by November 15.

RTA Review Criteria

Once the final program and budget is submitted to the RTA, the RTA is required to evaluate it in accordance with six key criteria as established in the RTA Act.

• The budget and plan must show a balance between (a) anticipated revenues from all sources including operating subsidies and (b) the costs of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness.

• The budget and plan must show cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenses as incurred.

• The budget and plan must provide for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of the Service Board sufficient to allow the Service Board to meet its required system-generated recovery ratio.

• The budget and plan are based upon and employ assumptions and projections which are reasonable and prudent.

• The budget and plan must have been prepared in accordance with sound financial practices as determined by the Board.

• The budget and financial plan must meet such other financial, budgetary, or fiscal requirements that the Board may by rule or regulation establish.

If the RTA finds a Service Board budget submittal does not meet these criteria, it can withhold public funding (other than formula sales tax proceeds) from the Service Board. The RTA Act further requires that the RTA adopt a budget for the Service Board within five days of the start of the fiscal year should the Service Board fail to submit a budget which meets the criteria.

Once the RTA has evaluated the budget submittals of Pace and the Service Boards, they then consolidate the information along with their own regional budget and plan information.

The consolidated regional budget must also achieve certain criteria. Chief among them is the requirement for the consolidated budget to cover 50% of its operating costs from fares and other operating revenues. This is considered the regional recovery rate requirement. The RTA also meets with each county board and holds public hearings in each county on the consolidated regional budget and plan. At the conclusion of these meetings and hearings, the RTA adopts a final budget and plan which requires the approval of nine of the RTA's thirteen directors. The RTA Act requires that the RTA is to adopt the consolidated regional budget no later than December 31 for presentation to the Governor and General Assembly.

Budget Amendment Process

The Pace Board may make additional appropriations, transfers between line items and other changes to its budget at any time as long as the changes do not alter the basis upon which the RTA made its balanced budget determination. Budget amendments are made from time to time by the Pace Board and are generally accomplished by revision to the annual appropriations ordinance. In the event a budget revision results in a general increase or a significant reduction of service, the Pace Board will also conduct public hearings in the affected areas.

Budget amendments which do not impact the RTA balanced budget determination basis are provided to the RTA for information purposes. The RTA may also initiate the need for a budget amendment by Pace or another Service Board if it determines such an amendment is necessary. Generally, this would only occur if a Service Board failed to achieve its budgeted recovery ratio and/or exceeded its public funding allocation, in which case the RTA can direct the Service Board to submit an amended budget within a specified time frame. Additionally, the RTA may require the Service Boards to submit amended budgets to reflect a revision to public funding or the recovery ratio as deemed necessary by the RTA. The Service Boards have thirty days from date of notice to submit a revision. There are no public hearing requirements for budget amendments which do not affect fares or services.

Basis of Budgeting

Pace's operating budget is prepared in a manner consistent with Pace's financial statements which are prepared on the accrual basis of accounting for a proprietary (enterprise) fund type.

Pace maintains a chart of accounts consistent with the Federal Transit Administration's Section 15 based financial reporting requirements. In general, these accounts are established by activity type (i.e., labor, materials and other) for four main expense object areas—operations, maintenance, non-vehicle maintenance and administration. Further segregation of accounts is used to identify activities by object class for individual service programs (i.e., vanpool, Dial-a-Ride, etc.)

Debt

Pace has no outstanding debt. Pace does not have statutory authority to independently issue debt, but may direct the RTA to issue up to $5.0 million in working cash notes on its behalf. Pace has never exercised this option.

APPENDIX C

LEGAL NOTICE

Pace
Suburban Bus Division of the RTA
Public Hearings on Pace's Proposed 1998
Operating and Capital Program,
1998–2000 Financial Plan, and
1998–2002 Capital Plan.

Notice is hereby given that Pace, the Suburban Bus Division of the Regional Transportation Authority, will hold public hearings on its proposed program and budget for the year 1998 (January 1, 1998 through December 31, 1998), the financial plan for 1998–2000, and the capital plan for 1998–2002.

The proposed budget calls for the equivalent of a 4% increase in vanpool program fares. Other fare categories are not affected by this proposal.

Any person wishing to comment on the proposed budget may present views orally at the public hearings or by submitting written material on or before the last date of the hearings, November 1, 1997. Copies of the proposed program and budget are available for public inspection at:

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005

Individuals with disabilities who plan to attend a meeting and who require certain accommodations other than transportation in order to allow them to observe and/or participate in this meeting are requested to contact the Pace ADA Compliance Manager at 847/228-2464 (voice) or 847/364-5093 (TDD) ten days prior to the scheduled meeting.

The documents will be available at most public libraries, as well as township, city and village offices in the six county Pace region.

October 8, 1997

SCHEDULE OF PUBLIC HEARINGS

Pace will hold public hearings on its proposed budget at the following locations and the public is invited to attend and provide comment

Hearing Location	Date	Time
DuPage County Public Hearing Village of Villa Park Council Chambers 20 South Ardmore Villa Park	Thursday October 30, 1997	4:30 - 6:30 p.m.
McHenry County Public Hearing McHenry County Courthouse Room C-190 2200 N. Seminary Woodstock	Thursday October 30, 1997	4:30 - 6:30 p.m.
Will County Public Hearing Joliet Municipal Building East Wing Conference Room 150 W. Jefferson Street Joliet	Thursday October 30, 1997	4:30 - 6:30 p.m.
Kane County Public Hearing Kane County Government Center County Board Room 719 Batavia Street Geneva	Friday October 31, 1997	4:30 - 6:30 p.m.
Lake County Public Hearing Lake County Courthouse 18 N. County Street Waukegan	Friday October 31, 1997	4:30 - 6:30 p.m.
North Cook County Public Hearing Des Plaines Civic Center Room 102 1420 Miner Street Des Plaines	Saturday November 1, 1997	10:00 - 11:30 a.m.
South Cook County Public Hearing Markham Village Hall 16313 Kedzie Parkway Markham	Saturday November 1, 1997	10:00 - 11:30 a.m.
West Cook County Public Hearing Forest Park Village Hall 517 Desplaines Avenue Forest Park	Saturday November 1, 1997	10:00 - 11:30 a.m.

A P P E N D I X D

GLOSSARY

Glossary (Budget Terms)

administration expense Expense of labor, materials, and fees associated with general office functions, insurance, MIS, legal services, and customer services.

capital budget The appropriation of State and Federal grants for improvements to facilities and other infrastructure.

cost per mile Operating expense divided by vehicle miles for a particular program or in total.

cost per passenger Operating expense divided by ridership for a particular program or in total.

deficit The excess of expense over revenue.

farebox revenue Revenues gained from passengers and local, employer and other fare subsidies exclusive of the State Half-fare subsidy program. Also excludes interest income and advertising revenues.

fares The amount charged to passengers for use of various services.

fringes (fringe benefit expense) Pay or expense to or on behalf of employees not for performance of their work, including sick pay, vacation pay, pension contributions, life and health insurance, unemployment and workmen's compensation, social security costs and other allowances.

full-time equivalent position (FTE) A position (or positions) that total 2,080 hours of annual service.

funding formula A specific formula used to determine a subsidy level.

labor expense The cost of wages and salaries (including overtime) to employees for performance of their work.

maintenance expense Expense of labor, materials, services, and equipment used to repair and service transit vehicles and service vehicles including all fuels for vehicle propulsion.

non-vehicle maintenance expense Expense of labor, materials, services, and equipment used to repair and service way and structures, vehicle movement control systems, fare collection equipment, communication systems, buildings and grounds and equipment other than transit vehicles.

operating assistance Financial assistance for transit operations (not capital expenditures). Such aid may originate with federal, local or state governments.

operating budget The planning of revenues and expenses for a given period of time to maintain daily operations.

operations expense Expense for labor, materials, fees and rents required for operating transit vehicles and passenger stations except electric propulsion power.

performance measure Information collected to determine how efficient a route is operating.

private contract services Expense of labor, materials, and fees paid to companies or organizations providing transit service under contract to Pace. Also known as purchased transportation.

program (noun) Refers to groupings of expense accounts of similar activities or objects of expenditures (i.e., operations, maintenance, administration, or vanpool, dial-a-ride, as well as capital programs).

program (verb) To commit funds, for a given capital purpose, without necessarily appropriating these funds for expenditure. When the RTA approves Pace's capital budget, certain funds will be "programmed" so that they may be obligated (i.e., contracts signed) during the upcoming year; these funds may be expended during future years, not necessarily in the upcoming year.

purchased transportation Expense of labor, materials, and fees paid to companies or organizations providing transit service under contract to Pace.

recovery ratio (recovery rate) In total, equals system generated revenues divided by total operating expenses or can be calculated for a particular program. This ratio is calculated for each of the Service Boards and for the RTA region as a whole. The RTA Act mandates that the RTA region must attain a recovery ratio of at least 50% for a given year.

services (purchased service) Services performed by outside organizations for a fee. Purchased transportation is considered a purchased service.

subsidy Funds received from another source which are used to cover the cost of a service or program that is not self-supporting.

system generated revenue (total operating revenue) The total revenue generated from operations includes farebox revenues, local subsidies, state fare subsidies, advertising, interest and all other income. Excludes RTA and Federal subsidies.

total operating expense The sum of "vehicle operations," "vehicle maintenance," "non-vehicle maintenance," and "general administration" expense categories.

Transit Service Terms

ADA The Americans with Disabilities Act of 1990. Transit systems are required to offer accessible mainline services and complementary ADA paratransit services by the Act and were given until January, 1997 to achieve full compliance.

ADA paratransit service Non-fixed route (paratransit) service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the ADA service area to certified participants in the program.

CTA The Chicago Transit Authority, created by state legislation, began operations in 1947. Operates bus and Rapid Transit service in the City and several suburbs.

Dial-a-Ride service (D-A-R) Non-fixed route (paratransit) service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the Dial-a-Ride service area to individuals deemed eligible based on local requirements.

express bus (or route) A suburban or intercity bus that operates a portion of the route without stops or with a limited number of stops.

fixed route service Pace service provided on a regularly scheduled basis along a specific route with vehicles stopping to pick up and discharge passengers along the route.

full size bus A bus from 35 to 41 feet in length.

medium size bus A bus from 29 to 34 feet in length.

Metra The Commuter Rail Division of the RTA. Created in 1983 by amendment to the RTA Act to operate and oversee commuter rail operations in Northeastern Illinois.

Pace The Suburban Bus Division of the RTA. Created in 1983 by amendment to the RTA Act, responsible for all non-rail suburban public transit service with the exception of those services provided by CTA.

paratransit service A generic term used to describe non-fixed route service utilizing vans or buses to provide pre-arranged trips within the system service area.

ridership (unlinked passenger trips) The number of transit vehicle boardings. Each passenger counted each time that person boards a vehicle.

rolling stock Public transportation vehicles which, for Pace, include all buses and vans.

service board A reference to the region's transit operators—CTA, Metra and Pace.

small bus A bus 28 feet or less in length.

Special Service Another name for "Paratransit Service."

subscription bus A Pace service program which provides regular daily express bus service to 30 or more individuals with guaranteed seating that is open to the general public.

total vehicle miles Sum of all miles operated by passenger vehicles, including mileage when no passengers are carried.

van A 20-foot long or shorter vehicle, usually with an automotive-type engine and limited seating normally entered directly through side or rear doors rather than from a central aisle, used for demand response and vanpool service.

vanpool Pace's VIP (Vanpool Incentive Program) - a group of 5 to 15 people who commute to and from work together in a Pace-owned van.

wheelchair accessible vehicle (accessible vehicle) A vehicle that a wheelchair-bound person may enter either 1) via an on-board retractable lift or ramp, 2) directly from a station platform reached by an elevator or a ramp that is either level with the vehicle floor or can be raised to floor level.

Funding Terms

CMAQ (Congestion Mitigation/Air Quality Grant) A federal grant program designed to support transportation projects which reduce traffic congestion and improve air quality.

Discretionary funds Funds which the RTA allocates, at its discretion, to the service boards. These funds include the 15% of the RTA sales tax and PTF.

FTA (Federal Transit Administration) FTA generally provides funding for operations (operating assistance) and capital. There are several federal programs that provide funding for transit. Section 5307 funds (formerly Section 9) and CMAQ (Congestion Mitigation/Air Quality Improvement) funds are available for capital and operating purposes. Section 5309 (formerly Section 3), Surface Transportation and Interstate Transfer funds, are available for capital only.

fund balance The excess of funding over deficit for a given period of time.

grants Monies received from local, Federal and State governments to provide capital or operating assistance.

Positive Budget Variance (PBV) The amount by which a Service Board comes in favorable to available funding from RTA in a given budget year. RTA policy allows the service boards to retain these funds in an unrestricted fund balance which can be used for capital projects or one time operating expenses.

Public Transportation Fund (PTF) An operating subsidy from the State of Illinois equivalent to 25% of the RTA sales tax collected. RTA is required to allocate these funds to the service boards, although the basis is at their discretion. (Also known along with 15% sales taxes, as discretionary funds).

RTA sales tax A sales tax of 1% in Cook County and 1/4% in the collar counties of DuPage, Kane, Lake, McHenry and Will.

- 85% of the sales tax is fully distributed to the service boards by the RTA according to formulas established by the RTA Act (also known as formula funds or 85% funds).
- 15% of the sales tax is retained by the RTA and distributed to the service boards at its discretion (also known as discretionary funds).

unreserved fund balance The portion of fund balance that is not already programmed into the budget and is available for appropriation.

APPENDIX E

Reference

Background data on Pace and its market are provided below:

Market Data

1990 Suburban Population	4,454,317	
1990 Chicago Population	2,783,726	
1990 Suburban Employment	2,163,660	
1990 Chicago Employment	1,376,730	
Suburban Population Density	1,293	per sq. mile
Suburban Employment Density	651	per sq. mile
Suburban Employers (over 100 employees)	3,600	

Fixed Route Service

Number of Fixed Routes	234	
Number of Accessible Routes	118	
Peak Period Vehicle Requirements	572	
Pace-owned Fleet Size	638	
Number Accessible	412	
Average Vehicle Age	6.0	years
Contractor Owned Vehicles in Pace service	116	
Number of Private Contractors	8	
Number of Pace-owned Garages	9	
Number of Pace Municipal Contractors	3	

Paratransit

Number of Communities Served	210	
Number of Local Dial-A-Ride Projects	53	
Number of ADA Service Projects	9	
Pace-owned Fleet Size	374	
Average Vehicle Age	2.4	years

Other

Number of Pace Employees (FTE's)	1,333
Vanpools in Operation (Sept. 1997)	269

1997 Ridership (Estimated)

	Total	Average Daily
Fixed Route	34,978,345	116,687
Paratransit	1,687,666	6,393
Vanpool	1,272,044	4,818
CMAQ	355,968	1,348
Total	38,294,023	129,246

1997 Vehicle Miles (Estimated)

	Total
Fixed Route	22,883,969
Paratransit	8,406,840
Vanpool	5,218,020
CMAQ	651,066
Total	37,159,895

Trends

Ridership

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	35,435	1,273	-	36,708	3.2%
1989	36,556	1,308	-	37,864	3.1%
1990	38,903	1,407	-	40,310	6.5%
1991	39,030	1,518	-	40,548	0.6%
1992	37,651	1,566	133	39,350	-3.0%
1993	36,340	1,576	354	38,270	-2.7%
1994	36,433	1,563	567	38,563	0.8%
1995	34,787	1,616	774	37,177	-3.6%
1996	34,919	1,629	966	37,514	0.9%
1997 Estimate	35,334	1,688	1,272	38,294	2.1%

Vehicle Miles

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	20,047	3,839	-	23,886	4.3%
1989	20,624	4,039	-	24,663	3.3%
1990	21,705	4,970	-	26,675	8.2%
1991	22,099	5,685	-	27,784	4.2%
1992	22,808	6,451	704	29,963	7.8%
1993	22,827	7,181	1,722	31,730	5.9%
1994	22,402	7,371	2,350	32,123	1.2%
1995	22,519	7,965	3,579	34,064	6.0%
1996	22,907	8,007	4,711	35,625	4.6%
1997 Estimate	23,535	8,408	5,218	37,161	4.3%

Recovery Ratio

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	39.22%	48.74%	-	31.78%	-2.2%
1989	39.24%	47.13%	-	32.83%	3.3%
1990	43.42%	47.09%	-	38.01%	15.8%
1991	43.38%	40.39%	-	36.46%	-4.1%
1992	46.00%	38.70%	115.98%	36.31%	-0.41%
1993	45.16%	35.09%	118.28%	36.41%	0.3%
1994	44.94%	33.87%	102.03%	36.33%	-0.2%
1995	43.29%	38.70%	86.85%	36.07%	-0.7%
1996	43.35%	32.56%	105.68%	36.04%	-0.1%
1997 Estimate	42.43%	33.34%	92.60%	36.00%	-0.1%

Cost per Mile

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	$2.25	$1.63	-	$2.91	2.5%
1989	$2.29	$1.68	-	$2.96	1.7%
1990	$2.24	$1.58	-	$2.89	-2.4%
1991	$2.29	$1.67	-	$2.93	1.4%
1992	$2.36	$1.66	$0.24	$2.96	1.0%
1993	$2.47	$1.65	$0.26	$2.91	-1.7%
1994	$2.64	$1.70	$0.34	$2.99	2.7%
1995	$2.70	$1.75	$0.33	$3.00	0.3%
1996	$2.74	$1.88	$0.25	$2.96	-1.3%
1997 Estimate	$2.76	$1.93	$0.31	$2.94	-0.7%

Cost per Passenger

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	$1.27	$4.93	-	$1.94	7.7%
1989	$1.29	$5.20	-	$1.95	0.5%
1990	$1.25	$5.59	-	$1.93	-1.0%
1991	$1.32	$6.25	-	$2.04	5.7%
1992	$1.43	$6.85	$1.27	$2 26	10.8%
1993	$1.55	$7.52	$1.28	$2.41	6.6%
1994	$1.62	$8.02	$1.39	$2.49	3.3%
1995	$1.75	$8.61	$1.52	$2.74	10.0%
1996	$1.79	$9.26	$1.22	$2.81	2.6%
1997 Estimate	$1.84	$9.62	$1.29	$2.85	1.4%

Subsidy per Trip

	Fixed Route	Paratransit DAR/ADA	Vanpool	Total	% Change
1988	$0.77	$2.53	-	$1.32	9.1%
1989	$0.79	$2.75	-	$1.32	0.0%
1990	$0.71	$2.96	-	$1.20	-9.1%
1991	$0.75	$3.69	-	$1.29	7.5%
1992	$0.77	$4.20	($0.20)	$1.44	11 6%
1993	$0.85	$4.88	($0.23)	$1.53	6.3%
1994	$0.89	$5.30	($0.03)	$1.59	3.9%
1995	$0.99	$5.28	$0.20	$1.76	10.7%
1996	$1.02	$6.25	($0.07)	$1.80	2.3%
1997 Estimate	$1.06	$6.41	$0.10	$1.83	1.7%

APPENDIX F

RECOVERY RATIO DISCUSSION

The Need for a Recovery Rate

One of the key provisions of the 1983 RTA reform legislation was the establishment of a requirement for the RTA system as a whole to recover 50% of its operating cost from passenger fares and other operating income. This "recovery ratio" was established as a means to create a certain level of self sufficiency for the RTA, thereby limiting its dependence on the taxpayers and to force efficiencies in operations of the Service Boards—CTA, Metra and Pace.

Recovery Ratio Defined

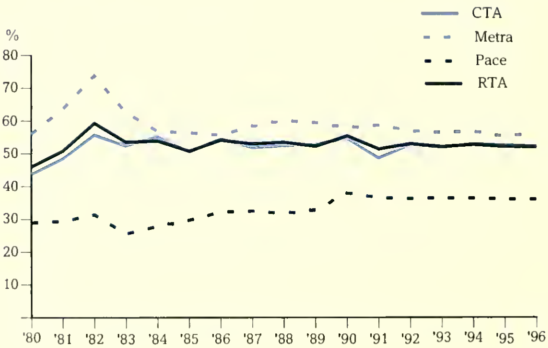
The recovery ratio is defined as being the ratio of operating income to operating expense. Operating income includes fares, local share contributions, interest and advertising revenues and the State Half-fare subsidy. Subsidies provided through the RTA, and the proceeds of borrowing cannot be considered as operating income. Operating expenses include all properly classified operating costs but exclude depreciation, debt service and capital expenditures.

History

By September 15, the RTA establishes funding levels and recovery ratio requirements for each Service Board to be used in their budget proposal to the RTA. These recovery ratio requirements have typically been in the low to mid 30% range for Pace, 55% for Metra, and low 50% range for the CTA. By its sheer size, the CTA's recovery performance tends to drive the recovery ratio for the whole RTA system. For example, a one percentage point change in the CTA recovery ratio would move the system recovery rate by .7 percentage points, whereas a one percentage point change in Pace's recovery rate would move the RTA system average by .09 points.

From a historical perspective, since the 1984 restructuring of the RTA, Pace's recovery ratio has improved from 28% in 1985 to 36% in 1996, Metra's increased from 52% to 55% and CTA's moved from 50% to 52%. Prior to 1985, there was more volatility, especially in Metra and CTA's ratio. The 1981-82 financial crisis led to service cutbacks and major fare increases causing a spike in the recovery rate in the early 1980's (reference Chart R).

Chart R. Regional Recovery Ratio Performance 1980-1996



Two other key points to know about the recovery ratios:

- The RTA Act says that the RTA Board, when setting recovery ratios for each Service Board, is to consider the historical recovery ratio for the Service Board and that it shall not increase a Service Board's ratio disproportionately or prejudicially for increases to the other Service Boards.
- In determining whether or not a Service Board budget is achieving the recovery ratio requirement, the RTA shall allow a Service Board to carryover cash from farebox revenues to subsequent years.

Impact of State Half-fare Program

Beginning in the latter half of 1989, and having its first full year impact on the recovery ratio in 1990, the State initiated a half-fare subsidy program. Under this program, the State reimbursed CTA, Metra and Pace for the revenue loss associated with offering reduced fares to students, the elderly and disabled. In 1990, this assistance totalled $35.1 million, and since it can be considered farebox revenue, it added nearly two full percentage points to CTA's recovery ratio resulting in a near record high for CTA of 54.7%. The impact for Pace was more dramatic, pushing our recovery rate from 32.8% in 1989 to 38.0% in 1990. Since 1990, the State has reduced the amount of subsidy under this program. For 1998, the RTA projects that $20 million will be received by the Service

Boards. The negative impact on Pace recovery rate due to this decline amounts to 1.2 points of recovery performance. Pace's recovery ratio both with and without the State half-fare reimbursement is shown on Chart S.

Comparison to National Average

While Pace's recovery ratio, which hovers around 35%, is sometimes viewed as being low in comparison to the CTA and Metra—particularly in light of the regional 50% requirement—in order to put it in a proper perspective, it should be compared to other bus only transit operators in the United States. Rail systems (such as Metra) typically recover a higher percentage of their operating costs for several reasons. First, they provide much longer distance trips usually at a time savings for which passengers are willing to pay higher fares. Second, rail is very capital intensive as opposed to bus service which requires more operating personnel, and capital costs are excluded from the recovery rate calculation. A comparison of Pace to the national average for all bus transit providers indicates Pace's recovery rate is higher than average (Chart S). This is especially noteworthy as many of the nation's bus systems serve high density central business districts which enhance operating efficiency and recovery performance.

Recovery Rate by County

Within the Pace system, services in lower density markets do not perform as well in terms of recovery ratio as do our high density market services (such as those in Cook County that link to the CTA). Chart T shows the recovery rate for Pace services by county and for several key programs. As can be seen, without the higher recovery performing services in Cook County, Pace would not be able to provide service in many of the collar counties at a recovery rate above 35%. Our four satellite divisions in Aurora, Elgin, Joliet and Waukegan achieve a combined recovery ratio of 30.1% and our Metra feeder services as a group recover less than 30% of their cost.

Impact of ADA Paratransit

Perhaps the single largest negative impact on the recovery ratio has come from the implementation of services in compliance with the Americans with Disabilities Act (ADA). Because the ADA paratransit service program by its very nature can only recover 10% of its cost from fares, and as this program has grown by federal mandate, it has dampened Pace's recovery performance. If ADA paratransit costs were exempt from the recovery ratio calculation as we believe they should be, Pace's recovery ratio for 1996 would have been 38.0%, two full points higher than the 36% achieved.

Pace Strategy

Pace's strategic plan calls for the agency to maintain stable recovery performance at the 35% level while seeking out new opportunities to expand the ridership base. We have been able to achieve this objective; however, increasing the recovery ratio and the resulting increase in fares or reductions in service will have an adverse impact on our ability to grow ridership and serve many important markets in the RTA region.

Chart S. Impact of State Half-Fare Subsidy on Pace Recovery Ratio and Comparison to National Bus Average

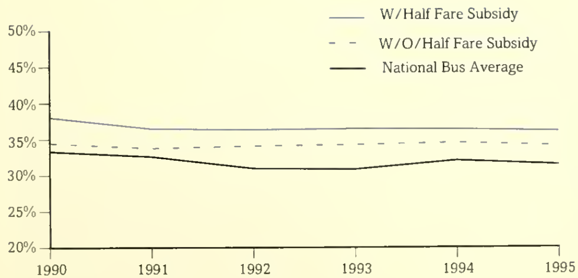
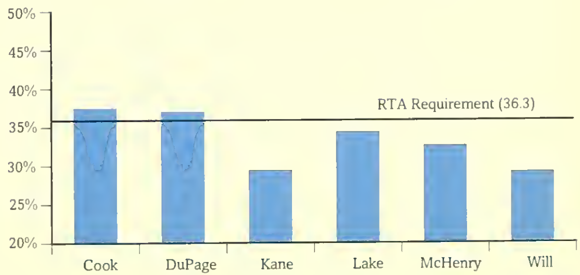


Chart T. Pace Recovery Ratio by County (1995 Data)



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In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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